

# House File 859 - Enrolled

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1 1 HOUSE FILE 859  
1 2  
1 3 AN ACT  
1 4 RELATING TO THE ESTABLISHMENT OF A FORM OF BUSINESS ASSOCIATION  
1 5 REFERRED TO AS A COOPERATIVE, AND PROVIDING FOR FEES AND TAX  
1 6 CREDITS, PROVIDING PENALTIES, AND PROVIDING AN EFFECTIVE DATE.  
1 7  
1 8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
1 9  
1 10 DIVISION I  
1 11 ENACTMENT OF IOWA COOPERATIVE ASSOCIATIONS ACT  
1 12 SUBCHAPTER 1  
1 13 GENERAL PROVISIONS  
1 14 Section 1. NEW SECTION. 501A.101 SHORT TITLE.  
1 15 This chapter shall be known and may be cited as the "Iowa  
1 16 Cooperative Associations Act".  
1 17 Sec. 2. NEW SECTION. 501A.102 DEFINITIONS.  
1 18 As used in this chapter, unless the context otherwise  
1 19 requires:  
1 20 1. "Address" means mailing address, including a zip code.  
1 21 In the case of a registered address, the term means the  
1 22 mailing address and the actual office location, which shall  
1 23 not be a post office box.  
1 24 2. "Alternative ballot" means a method of voting for a  
1 25 candidate or issue prescribed by the board in advance of the  
1 26 vote, and may include voting by electronic, telephonic,  
1 27 internet, or other means that reasonably allow members the  
1 28 opportunity to vote.  
1 29 3. "Articles" means the articles of organization of a  
1 30 cooperative as originally filed or subsequently amended as  
1 31 provided in this chapter.  
1 32 4. "Association" means a business entity on a cooperative  
1 33 plan and organized under the laws of this state or another  
1 34 state or that is chartered to conduct business under the laws  
1 35 of another state.  
2 1 5. "Board" means the board of directors of a cooperative.  
2 2 6. "Business entity" means a person organized under  
2 3 statute or common law in this state or another jurisdiction  
2 4 for purposes of engaging in a commercial activity on a profit,  
2 5 cooperative, or not-for-profit basis, including but not  
2 6 limited to a corporation or entity taxed as a corporation  
2 7 under the Internal Revenue Code, nonprofit corporation,  
2 8 cooperative or cooperative association, partnership, limited  
2 9 partnership, limited liability company, limited liability  
2 10 partnership, investment company, joint stock company, joint  
2 11 stock association, or trust, including but not limited to a  
2 12 business trust.  
2 13 7. "Cooperative" means a business association organized  
2 14 under this chapter.  
2 15 8. "Crop" means a plant used for food, animal feed, fiber,  
2 16 or oil, if the plant is classified as a forage or cereal  
2 17 plant, including but not limited to alfalfa, barley,  
2 18 buckwheat, corn, flax, forage, millet, oats, popcorn, rye,  
2 19 sorghum, soybeans, sunflowers, wheat, and grasses used for  
2 20 forage or silage.  
2 21 9. "Domestic business entity" means a business entity  
2 22 organized under the laws of this state, including but not  
2 23 limited to a corporation organized pursuant to chapter 490; a  
2 24 nonprofit corporation organized under chapter 504; a limited  
2 25 liability company as defined in section 490A.102; a  
2 26 partnership, limited partnership, limited liability  
2 27 partnership, or limited liability limited partnership as  
2 28 provided in chapter 486A, 487, or 488; or a cooperative  
2 29 association or other cooperative organized under this chapter  
2 30 or chapter 497, 498, 499, or 501.  
2 31 10. "Domestic cooperative" means a cooperative association  
2 32 or other cooperative organized under this chapter or chapter  
2 33 497, 498, 499, or 501.  
2 34 11. "Foreign business entity" means a business entity that  
2 35 is not a domestic business entity.  
3 1 12. "Foreign cooperative" means a foreign business entity  
3 2 organized to conduct business consistent with this chapter or  
3 3 chapter 497, 498, or 499.  
3 4 13. "Iowa limited liability company" means a limited  
3 5 liability company governed by chapter 490A.

3 6 14. "Livestock" means the same as defined in section  
3 7 717.1.  
3 8 15. "Member" means a person or entity reflected on the  
3 9 books of a cooperative as the owner of governance rights of a  
3 10 membership interest of the cooperative and includes patron and  
3 11 nonpatron members.  
3 12 16. "Member control agreement" means an instrument which  
3 13 controls the investment or governance of nonpatron members,  
3 14 which may be executed by the board and one or more nonpatron  
3 15 members and which may provide for their individual or  
3 16 collective rights to elect directors or to participate in the  
3 17 distribution or allocation of profits or losses.  
3 18 17. "Membership interest" means a member's interest in a  
3 19 cooperative consisting of a member's financial rights, a  
3 20 member's right to assign financial rights, a member's  
3 21 governance rights, and a member's right to assign governance  
3 22 rights. "Membership interest" includes patron membership  
3 23 interests and nonpatron membership interests.  
3 24 18. "Members' meeting" means a regular or special members'  
3 25 meeting.  
3 26 19. "Nonpatron member" means a member who holds a  
3 27 nonpatron membership interest.  
3 28 20. "Nonpatron membership interest" means a membership  
3 29 interest that does not require the holder to conduct patronage  
3 30 for or with the cooperative to receive financial rights or  
3 31 distributions.  
3 32 21. "Patron" means a person or entity who conducts  
3 33 patronage with the cooperative, regardless of whether the  
3 34 person is a member.  
3 35 22. "Patronage" means business, transactions, or services  
4 1 done for or with the cooperative as defined by the  
4 2 cooperative.  
4 3 23. "Patron member" means a member holding a patron  
4 4 membership interest.  
4 5 24. "Patron membership interest" means the membership  
4 6 interest requiring the holder to conduct patronage for or with  
4 7 the cooperative, as specified by the cooperative to receive  
4 8 financial rights or distributions.  
4 9 25. "Secretary" means the secretary of state.  
4 10 26. "Traditional cooperative" means a cooperative or  
4 11 cooperative association organized under chapter 497, 498, 499,  
4 12 or 501.

4 13 Sec. 3. NEW SECTION. 501A.103 REQUIREMENTS FOR DOCUMENTS  
4 14 == FILING AND SIGNATURES.

4 15 A document is signed when a person has written on a  
4 16 document. A person authorized to do so by this chapter, the  
4 17 articles or bylaws, or by a resolution approved by the  
4 18 directors or the members must sign the document. A signature  
4 19 on a document may be a facsimile affixed, engraved, printed,  
4 20 placed, stamped with indelible ink, transmitted by facsimile  
4 21 or electronically, or in any other manner reproduced on the  
4 22 document.

4 23 SUBCHAPTER 2

4 24 FILING

4 25 PART A

4 26 GENERAL REQUIREMENTS

4 27 Sec. 4. NEW SECTION. 501A.201 GENERAL FILING  
4 28 REQUIREMENTS.

4 29 1. A document must satisfy the requirements of this  
4 30 section, and of any other section that adds to or varies these  
4 31 requirements, to be entitled to filing.

4 32 2. The document must be one that this chapter requires or  
4 33 permits to be filed with the secretary.

4 34 3. The document must contain the information required by  
4 35 this chapter. The document may contain other information as  
5 1 well.

5 2 4. The document must be typewritten or printed. The  
5 3 typewritten or printed portion shall be in black ink.  
5 4 Manually signed photocopies, or other reproduced copies,  
5 5 including facsimiles and other electronically or computer=  
5 6 generated copies of typewritten or printed documents may be  
5 7 filed.

5 8 5. The document must be in the English language. A  
5 9 cooperative's name need not be in English if written in  
5 10 English letters or Arabic or Roman numerals. The articles,  
5 11 duly authenticated by the official having custody of the  
5 12 applicable records in the state or country under whose law the  
5 13 cooperative is formed, which are required of cooperatives,  
5 14 need not be in English if accompanied by a reasonably  
5 15 authenticated English translation.

5 16 6. The document must be executed by one of the following

5 17 persons:

5 18 a. An officer of the cooperative, or if no officer has  
5 19 been selected, by any patron member of the cooperative.

5 20 b. If the cooperative has not been organized, by the  
5 21 organizers of the cooperative as provided in subchapter 5.

5 22 c. If the cooperative is in the hands of a receiver,  
5 23 trustee, or other court-appointed fiduciary, that fiduciary.

5 24 7. The person executing the document shall sign the  
5 25 document and state beneath or opposite the person's signature,  
5 26 the person's name, and the capacity in which the person signs.

5 27 8. If, pursuant to any provision of this chapter, the  
5 28 secretary has prescribed a mandatory form for the document,  
5 29 the document shall be in or on the prescribed form.

5 30 9. The document must be delivered to the secretary for  
5 31 filing and must be accompanied by the correct filing fee as  
5 32 provided in this subchapter.

5 33 Sec. 5. NEW SECTION. 501A.202 FILING DUTY OF SECRETARY  
5 34 OF STATE.

5 35 1. If a document delivered to the secretary for filing  
6 1 satisfies the requirements of section 501A.201, the secretary  
6 2 shall file it and issue any necessary certificate.

6 3 2. The secretary files a document by recording it as filed  
6 4 on the date and at the time of receipt. After filing a  
6 5 document, and except as provided in section 501A.204, the  
6 6 secretary shall deliver the document, and an acknowledgement  
6 7 of the date and time of filing to the domestic cooperative or  
6 8 foreign cooperative or its representative.

6 9 3. If the secretary refuses to file a document, the  
6 10 secretary shall return it to the domestic cooperative or  
6 11 foreign cooperative or its representative within ten days  
6 12 after the document was received by the secretary, together  
6 13 with a brief, written explanation of the reason for the  
6 14 refusal.

6 15 4. The secretary's duty to file documents under this  
6 16 section is ministerial. Filing or refusing to file a document  
6 17 does not do any of the following:

6 18 a. Affect the validity or invalidity of the document in  
6 19 whole or in part.

6 20 b. Relate to the correctness or incorrectness of  
6 21 information contained in the document.

6 22 c. Create a presumption that the document is valid or  
6 23 invalid or that information contained in the document is  
6 24 correct or incorrect.

6 25 Sec. 6. NEW SECTION. 501A.203 EFFECTIVE TIME AND DATE OF  
6 26 DOCUMENTS.

6 27 1. Except as provided in subsection 2 and section  
6 28 501A.204, subsection 3, a document accepted for filing is  
6 29 effective at the later of the following times:

6 30 a. At the time of filing on the date the document is  
6 31 filed, as evidenced by the secretary's date and time  
6 32 endorsement on the original document.

6 33 b. At the time specified in the document as its effective  
6 34 time on the date the document is filed.

6 35 2. A document may specify a delayed effective time and  
7 1 date, and if the document does so, the document becomes  
7 2 effective at the time and date specified. If a delayed  
7 3 effective date but no time is specified, the document is  
7 4 effective at the close of business on that date. A delayed  
7 5 effective date for a document shall not be later than the  
7 6 ninetieth day after the date the document is filed.

7 7 Sec. 7. NEW SECTION. 501A.204 CORRECTING FILED  
7 8 DOCUMENTS.

7 9 1. A domestic cooperative or foreign cooperative may  
7 10 correct a document filed by the secretary if the document  
7 11 satisfies any of the following requirements:

7 12 a. Contains an incorrect statement.

7 13 b. Was defectively executed, attested, sealed, verified,  
7 14 or acknowledged.

7 15 2. A document is corrected by complying with all of the  
7 16 following:

7 17 a. By preparing articles of correction that satisfy all of  
7 18 the following requirements:

7 19 (1) Describe the document, including its filing date, or  
7 20 attach a copy of the document to the articles.

7 21 (2) Specify the incorrect statement and the reason the  
7 22 statement is incorrect or the manner in which the execution  
7 23 was defective.

7 24 (3) Correct the incorrect statement or defective  
7 25 execution.

7 26 b. By delivering the articles of correction to the  
7 27 secretary for filing.

7 28 3. Articles of correction are effective on the effective  
 7 29 date of the document the articles correct, except as to  
 7 30 persons relying on the uncorrected document and adversely  
 7 31 affected by the correction. As to those persons, articles of  
 7 32 correction are effective when filed.  
 7 33 Sec. 8. NEW SECTION. 501A.205 FEES.  
 7 34 1. The secretary shall collect the following fees when  
 7 35 documents described in this subsection are delivered to the  
 8 1 secretary's office for filing:  
 8 2 a. Articles of organization ..... \$ 50  
 8 3 b. Application for use of indistinguishable name ..... \$ 10  
 8 4 c. Application for reserved name ..... \$ 10  
 8 5 d. Notice of transfer of reserved name ..... \$ 10  
 8 6 e. Application for registered name per month  
 8 7 or part thereof ..... \$ 2  
 8 8 f. Application for renewal of registered name ..... \$ 20  
 8 9 g. Statement of change of registered agent or  
 8 10 registered office or both ..... No fee  
 8 11 h. Agent's statement of change of registered  
 8 12 office for each affected cooperative ..... No fee  
 8 13 i. Agent's statement of resignation ..... No fee  
 8 14 j. Amendment of articles of organization ..... \$ 50  
 8 15 k. Restatement of articles of organization with  
 8 16 amendment of articles ..... \$ 50  
 8 17 l. Articles of merger ..... \$ 50  
 8 18 m. Articles of dissolution ..... \$ 5  
 8 19 n. Articles of revocation of dissolution ..... \$ 5  
 8 20 o. Certificate of administrative dissolution ..... No fee  
 8 21 p. Application for reinstatement following  
 8 22 administrative dissolution ..... \$ 5  
 8 23 q. Certificate of reinstatement ..... No fee  
 8 24 r. Certificate of judicial dissolution ..... No fee  
 8 25 s. Application for certificate of authority ..... \$100  
 8 26 t. Application for amended certificate of authority .... \$100  
 8 27 u. Application for certificate of cancellation ..... \$ 10  
 8 28 v. Certificate of revocation of authority to transact  
 8 29 business ..... No fee  
 8 30 w. Articles of correction ..... \$ 5  
 8 31 x. Application for certificate of existence or  
 8 32 authorization ..... \$ 5  
 8 33 y. Any other document required or permitted to  
 8 34 be filed by this chapter ..... \$ 5  
 8 35 2. The secretary shall collect a fee of five dollars each  
 9 1 time process is served on the secretary under this chapter.  
 9 2 The party to a proceeding causing service of process is  
 9 3 entitled to recover this fee as costs if the party prevails in  
 9 4 the proceeding.  
 9 5 3. The secretary shall collect the following fees for  
 9 6 copying and certifying the copy of any filed document relating  
 9 7 to a domestic cooperative or foreign cooperative:  
 9 8 a. One dollar a page for copying.  
 9 9 b. Five dollars for the certificate.  
 9 10 Sec. 9. NEW SECTION. 501A.206 FORMS.  
 9 11 1. The secretary may prescribe and furnish on request  
 9 12 forms, including but not limited to the following:  
 9 13 a. An application for a certificate of existence.  
 9 14 b. A foreign cooperative's application for a certificate  
 9 15 of authority to transact business in this state.  
 9 16 c. A foreign cooperative's application for a certificate  
 9 17 of withdrawal.  
 9 18 If the secretary so requires, use of these listed forms  
 9 19 prescribed by the secretary is mandatory.  
 9 20 2. The secretary may prescribe and furnish on request  
 9 21 forms, for other documents required or permitted to be filed  
 9 22 by this chapter but their use is not mandatory.  
 9 23 Sec. 10. NEW SECTION. 501A.207 APPEAL FROM SECRETARY OF  
 9 24 STATE'S REFUSAL TO FILE DOCUMENT.  
 9 25 1. If the secretary refuses to file a document delivered  
 9 26 to the secretary's office for filing, the domestic cooperative  
 9 27 or foreign cooperative may appeal the refusal, within thirty  
 9 28 days after the return of the document, to the district court  
 9 29 for the county in which the cooperative's principal office or,  
 9 30 if none in this state, where its registered office is or will  
 9 31 be located. The appeal is commenced by petitioning the court  
 9 32 to compel filing the document and by attaching to the petition  
 9 33 the document and the secretary's explanation of the refusal to  
 9 34 file.  
 9 35 2. The court may summarily order the secretary to file the  
 10 1 document or take other action the court considers appropriate.  
 10 2 3. The court's final decision may be appealed as in other  
 10 3 civil proceedings.

10 4 Sec. 11. NEW SECTION. 501A.208 EVIDENTIARY EFFECT OF  
10 5 COPY OF FILED DOCUMENT.

10 6 A certificate attached to a copy of a document filed by the  
10 7 secretary, bearing the secretary's signature, which may be in  
10 8 facsimile, and the seal of the secretary, is conclusive  
10 9 evidence that the original document is on file with the  
10 10 secretary.

10 11 Sec. 12. NEW SECTION. 501A.209 CERTIFICATE OF EXISTENCE.

10 12 1. Anyone may apply to the secretary to furnish a  
10 13 certificate of existence for a domestic cooperative or a  
10 14 certificate of authorization for a foreign cooperative.

10 15 2. A certificate of existence or certificate of  
10 16 authorization must set forth all of the following:

10 17 a. The domestic cooperative's name or the foreign  
10 18 cooperative's name used in this state.

10 19 b. That one of the following applies:

10 20 (1) If it is a domestic cooperative, that it is duly  
10 21 organized under the law of this state, the date of its  
10 22 organization, and the period of its duration.

10 23 (2) If it is a foreign cooperative, that it is authorized  
10 24 to transact business in this state.

10 25 c. That all fees required by this subchapter have been  
10 26 paid.

10 27 d. If it is a domestic cooperative, that articles of  
10 28 dissolution have not been filed.

10 29 e. Other facts of record in the office of the secretary  
10 30 that may be requested by the applicant.

10 31 3. Subject to any qualification stated in the certificate,  
10 32 a certificate of existence or certificate of authorization  
10 33 issued by the secretary may be relied upon as conclusive  
10 34 evidence that the domestic cooperative or foreign cooperative  
10 35 is in existence or is authorized to transact business in this  
11 1 state.

11 2 Sec. 13. NEW SECTION. 501A.210 PENALTY FOR SIGNING FALSE  
11 3 DOCUMENT.

11 4 1. A person commits an offense if that person signs a  
11 5 document the person knows is false in any material respect  
11 6 with intent that the document be delivered to the secretary  
11 7 for filing.

11 8 2. An offense under this section is a serious misdemeanor  
11 9 punishable by a fine of not to exceed one thousand dollars.

11 10 Sec. 14. NEW SECTION. 501A.211 SECRETARY OF STATE ==  
11 11 POWERS.

11 12 The secretary has the power reasonably necessary to perform  
11 13 the duties required of the secretary by this chapter.

11 14 PART B  
11 15 FOREIGN COOPERATIVES

11 16 Sec. 15. NEW SECTION. 501A.221 CERTIFICATE OF AUTHORITY.

11 17 A foreign cooperative may apply for a certificate of  
11 18 authority to transact business in this state by delivering an  
11 19 application to the secretary for filing. An application for  
11 20 registration as a foreign cooperative shall set forth all of  
11 21 the following:

11 22 1. The name of the foreign cooperative and, if different,  
11 23 the name under which the foreign cooperative proposes to  
11 24 register and transact business in this state.

11 25 2. The state or other jurisdiction in which the foreign  
11 26 cooperative was formed and the date of its formation.

11 27 3. The street address of the registered office of the  
11 28 foreign cooperative in this state and the name of the  
11 29 registered agent at the office.

11 30 4. The address of the principal office, which is the  
11 31 office where the principal executive offices are located.

11 32 5. A certificate of existence or a document of similar  
11 33 import duly authenticated by the proper office of the state or  
11 34 other jurisdiction of its formation which is dated no earlier  
11 35 than ninety days prior to the date that the application is  
12 1 filed with the secretary.

12 2 Sec. 16. NEW SECTION. 501A.222 CANCELLATION OF  
12 3 CERTIFICATE OF AUTHORITY.

12 4 1. A foreign cooperative may cancel its certificate of  
12 5 authority by delivering to the secretary for filing a  
12 6 certificate of cancellation which shall set forth all of the  
12 7 following:

12 8 a. The name of the foreign cooperative and the name of the  
12 9 state or other jurisdiction under whose jurisdiction the  
12 10 foreign cooperative was formed.

12 11 b. That the foreign cooperative is not transacting  
12 12 business in this state and that the foreign cooperative  
12 13 surrenders its registration to transact business in this  
12 14 state.

12 15 c. That the foreign cooperative revokes the authority of  
12 16 its registered agent to accept service on its behalf and  
12 17 appoints the secretary as its agent for service of process in  
12 18 any proceeding based on a cause of action arising during the  
12 19 time the foreign cooperative was authorized to transact  
12 20 business in this state.  
12 21 d. A mailing address to which the secretary may mail a  
12 22 copy of any process served on the secretary under paragraph  
12 23 "c".  
12 24 e. A commitment to notify the secretary in the future of  
12 25 any change in the mailing address of the foreign cooperative.  
12 26 2. The certificate of authority shall be canceled upon the  
12 27 filing of the certificate of cancellation by the secretary.

#### 12 28 PART C

#### 12 29 REPORTS

12 30 Sec. 17. NEW SECTION. 501A.231 BIENNIAL REPORT FOR  
12 31 SECRETARY OF STATE.

12 32 1. A cooperative authorized to transact business in this  
12 33 state shall deliver to the secretary of state for filing a  
12 34 biennial report that sets forth all of the following:

12 35 a. The name of the cooperative.

13 1 b. The address of its registered office and the name of  
13 2 its registered agent at that office in this state, together  
13 3 with the consent of any new registered agent.

13 4 c. The address of its principal office.

13 5 d. The names and addresses of the president, secretary,  
13 6 treasurer, and one member of the board of directors.

13 7 2. Information in the biennial report must be current as  
13 8 of the first day of January of the year in which the report is  
13 9 due. The report shall be executed on behalf of the  
13 10 cooperative and signed as provided in section 501A.103 or by  
13 11 any other person authorized by the board of directors of the  
13 12 cooperative.

13 13 3. The first biennial report shall be delivered to the  
13 14 secretary of state between January 1 and April 1 of the first  
13 15 even-numbered year following the calendar year in which a  
13 16 cooperative is organized. Subsequent biennial reports shall  
13 17 be delivered to the secretary of state between January 1 and  
13 18 April 1 of the following even-numbered calendar years. A  
13 19 filing fee for the biennial report shall be determined by the  
13 20 secretary of state.

13 21 4. If a biennial report does not contain the information  
13 22 required by this section, the secretary of state shall  
13 23 promptly notify the reporting cooperative in writing and  
13 24 return the report to the cooperative for correction.

13 25 5. The secretary of state may provide for the change of  
13 26 registered office or registered agent on the form prescribed  
13 27 by the secretary of state for the biennial report, provided  
13 28 that the form contains the information required by section  
13 29 501A.402. If the secretary of state determines that a  
13 30 biennial report does not contain the information required by  
13 31 this section but otherwise meets the requirements of section  
13 32 501.402 for the purpose of changing the registered office or  
13 33 registered agent, the secretary of state shall file the  
13 34 statement of change of registered office or registered agent,  
13 35 effective as provided in section 501A.203, before returning  
14 1 the biennial report to the cooperative as provided in this  
14 2 section. A statement of change of registered office or agent  
14 3 pursuant to this subsection shall be executed by a person  
14 4 authorized to execute the biennial report.

#### 14 5 SUBCHAPTER 3

#### 14 6 NAMES

14 7 Sec. 18. NEW SECTION. 501A.301 NAME.

14 8 1. A cooperative name must contain the word "cooperative",  
14 9 "coop", or the abbreviation "CP".

14 10 2. Except as authorized by subsections 3 and 4, a  
14 11 cooperative name must be distinguishable upon the records of  
14 12 the secretary from all of the following:

14 13 a. The name of a domestic cooperative, limited liability  
14 14 company, limited partnership, or corporation organized under  
14 15 the laws of this state or registered as a foreign cooperative,  
14 16 foreign limited liability company, foreign limited  
14 17 partnership, or foreign corporation in this state.

14 18 b. A name reserved in the manner provided under the laws  
14 19 of this state.

14 20 c. The fictitious name adopted by a foreign cooperative,  
14 21 foreign limited liability company, foreign limited  
14 22 partnership, or foreign corporation authorized to transact  
14 23 business in this state because its real name is unavailable.

14 24 d. The corporate name of a nonprofit corporation  
14 25 incorporated or authorized to transact business in this state.

14 26 3. A cooperative may apply to the secretary for  
14 27 authorization to use a name that is not distinguishable upon  
14 28 the secretary's records from one or more of the names  
14 29 described in subsection 2. The secretary shall authorize use  
14 30 of the name applied for if one of the following conditions  
14 31 applies:

14 32 a. The other entity consents to the use in writing and  
14 33 submits an undertaking in a form satisfactory to the secretary  
14 34 to change the entity's name to a name that is distinguishable  
14 35 upon the records of the secretary from the name of the  
15 1 applying cooperative.

15 2 b. The applicant delivers to the secretary a certified  
15 3 copy of the final judgment of a court of competent  
15 4 jurisdiction establishing the applicant's right to use the  
15 5 name applied for in this state.

15 6 4. A cooperative may use the name, including the  
15 7 fictitious name, of another business entity that is used in  
15 8 this state if the other business entity is formed under the  
15 9 laws of this state or is authorized to transact business in  
15 10 this state and the proposed user cooperative meets one of the  
15 11 following conditions:

15 12 a. Has merged with the other business entity.

15 13 b. Has been formed by reorganization of the other business  
15 14 entity.

15 15 c. Has acquired all or substantially all of the assets,  
15 16 including the name, of the other business entity.

15 17 5. This chapter does not control the use of fictitious  
15 18 names; however, if a cooperative uses a fictitious name in  
15 19 this state, the cooperative shall deliver to the secretary for  
15 20 filing a certified copy of the resolution of the cooperative  
15 21 adopting the fictitious name.

15 22 Sec. 19. NEW SECTION. 501A.302 RESERVED NAME.

15 23 1. A person may reserve the exclusive use of a cooperative  
15 24 name, including a fictitious name for a foreign cooperative  
15 25 whose cooperative name is not available, by delivering an  
15 26 application to the secretary for filing. The application must  
15 27 set forth the name and address of the applicant and the name  
15 28 proposed to be reserved. If the secretary finds that the  
15 29 cooperative name applied for is available, the secretary shall  
15 30 reserve the name for the applicant's exclusive use for a  
15 31 nonrenewable one-hundred-twenty-day period.

15 32 2. The owner of a reserved cooperative name may transfer  
15 33 the reservation to another person by delivering to the  
15 34 secretary a signed notice of the transfer that states the name  
15 35 and address of the transferee.

#### 16 1 SUBCHAPTER 4

#### 16 2 REGISTERED OFFICE AND AGENT

16 3 Sec. 20. NEW SECTION. 501A.401 REGISTERED OFFICE AND  
16 4 REGISTERED AGENT.

16 5 A cooperative must continuously maintain in this state each  
16 6 of the following:

16 7 1. A registered office that may be the same as any of its  
16 8 places of business.

16 9 2. A registered agent who may be any of the following:

16 10 a. An individual who is a resident of this state and whose  
16 11 business office is identical with the registered office.

16 12 b. A cooperative, domestic corporation, domestic limited  
16 13 liability company, or not-for-profit domestic corporation  
16 14 whose business office is identical with the registered office.

16 15 c. A foreign cooperative, foreign corporation, foreign  
16 16 limited liability company, or not-for-profit foreign

16 17 corporation authorized to transact business in this state  
16 18 whose business office is identical with the registered office.

16 19 Sec. 21. NEW SECTION. 501A.402 CHANGE OF REGISTERED  
16 20 OFFICE OR REGISTERED AGENT.

16 21 1. A cooperative may change its registered office or  
16 22 registered agent by delivering to the secretary for filing a  
16 23 statement of change that sets forth the following:

16 24 a. The name of the domestic cooperative or foreign  
16 25 cooperative.

16 26 b. If the current registered office is to be changed, the  
16 27 street address of the new registered office.

16 28 c. If the current registered agent is to be changed, the  
16 29 name of the new registered agent and the new agent's written  
16 30 consent either on the statement or attached to the statement,  
16 31 to the appointment.

16 32 d. That after the change or changes are made, the street  
16 33 address of its registered office and the business office of  
16 34 its registered agent will be identical.

16 35 2. A statement of change shall forthwith be filed in the  
17 1 office of the secretary by a cooperative whenever its

17 2 registered agent dies, resigns, or ceases to satisfy the  
17 3 requirements of section 501A.401.  
17 4 3. If a registered agent changes the registered agent's  
17 5 business address to another place, the registered agent may  
17 6 change the business address and the address of the registered  
17 7 agent by filing a statement as required in subsection 1 for  
17 8 each cooperative, or a single statement for all cooperatives  
17 9 named in the notice, except that the statement need be signed  
17 10 only by the registered agent and need not be responsive to  
17 11 subsection 1, paragraph "c", and must recite that a copy of  
17 12 the statement has been mailed to each cooperative named in the  
17 13 notice.

17 14 4. The change of address of a registered office or the  
17 15 change of registered agent becomes effective upon the filing  
17 16 of such statement by the secretary.

17 17 Sec. 22. NEW SECTION. 501A.403 RESIGNATION OF REGISTERED  
17 18 AGENT == DISCONTINUANCE OF REGISTERED OFFICE == STATEMENT.

17 19 1. A registered agent may resign the agent's agency  
17 20 appointment by signing and delivering to the secretary for  
17 21 filing an original statement of resignation. The statement  
17 22 may include a statement that the registered office is also  
17 23 discontinued. The registered agent shall send a copy of the  
17 24 statement of resignation to the registered office, if not  
17 25 discontinued, and to the cooperative at its principal office.  
17 26 The agent shall certify to the secretary that the copy has  
17 27 been sent to the cooperative, including the date the copy was  
17 28 sent.

17 29 2. The agency appointment is terminated, and the  
17 30 registered office discontinued if so provided, on the date on  
17 31 which the statement is filed by the secretary.

17 32 Sec. 23. NEW SECTION. 501A.404 SERVICE ON DOMESTIC  
17 33 COOPERATIVES.

17 34 1. A domestic cooperative's registered agent is the  
17 35 cooperative's agent for service of process, notice, or demand  
18 1 required or permitted by law to be served on the cooperative.

18 2 2. If a cooperative has no registered agent, or the agent  
18 3 cannot with reasonable diligence be served, the cooperative  
18 4 may be served by registered mail or certified mail, return  
18 5 receipt requested, and addressed to the cooperative at its  
18 6 principal office. Service is perfected under this subsection  
18 7 at the earliest of any of the following:

18 8 a. The date the cooperative receives the mail.

18 9 b. The date shown on the return receipt for the registered  
18 10 mail or certified mail, return receipt requested, if signed on  
18 11 behalf of the cooperative.

18 12 c. Five days after its deposit in the United States mail,  
18 13 as evidenced by the postmark, if mailed postpaid and correctly  
18 14 addressed.

18 15 3. This section does not prescribe the only means, or  
18 16 necessarily the required means, of serving a domestic  
18 17 cooperative or foreign cooperative.

18 18 Sec. 24. NEW SECTION. 501A.405 SERVICE ON FOREIGN  
18 19 COOPERATIVE.

18 20 1. The registered agent of a foreign cooperative  
18 21 authorized to transact business in this state is the foreign  
18 22 cooperative's agent for service of process, notice, or demand  
18 23 required or permitted by law to be served on the foreign  
18 24 cooperative.

18 25 2. A foreign cooperative may be served by certified mail  
18 26 or restricted certified mail addressed to the foreign  
18 27 cooperative at its principal office shown in its application  
18 28 for a certificate of authority if the foreign cooperative  
18 29 meets any of the following conditions:

18 30 a. Has no registered agent or its registered agent cannot  
18 31 with reasonable diligence be served.

18 32 b. Has withdrawn from transacting business in this state.

18 33 c. Has had its certificate of authority revoked.

18 34 3. Service is perfected under subsection 2 at the earliest  
18 35 of any of the following:

19 1 a. The date the foreign cooperative receives the mail.

19 2 b. The date shown on the return receipt for the restricted  
19 3 certified mail, if signed on behalf of the foreign  
19 4 cooperative.

19 5 c. Five days after its deposit in the United States mail,  
19 6 as evidenced by the postmark, if mailed postpaid and correctly  
19 7 addressed.

19 8 4. A foreign cooperative may also be served in any other  
19 9 manner permitted by law.

19 10 SUBCHAPTER 5  
19 11 ORGANIZATION

19 12 Sec. 25. NEW SECTION. 501A.501 ORGANIZATIONAL PURPOSE.



19 13 A cooperative may be formed and organized for any lawful  
19 14 purpose for the benefit of its members, including but not  
19 15 limited to any of the following purposes:

19 16 1. To store or market agricultural commodities, including  
19 17 crops and livestock.

19 18 2. To market, process, or otherwise change the form or  
19 19 marketability of agricultural commodities. The cooperative  
19 20 may provide for the manufacturing or processing of those  
19 21 commodities into products.

19 22 3. To accomplish other purposes that are necessary or  
19 23 convenient to facilitate the production or marketing of  
19 24 agricultural commodities or agricultural products by patron  
19 25 members, other patrons, and other persons, and for other  
19 26 purposes that are related to the business of the cooperative.

19 27 4. To provide products, supplies, and services to its  
19 28 patron members, other patrons, and others.

19 29 5. For any other purpose that a cooperative is authorized  
19 30 by law under chapter 499 or 501.

19 31 Sec. 26. NEW SECTION. 501A.502 ORGANIZERS.

19 32 1. QUALIFICATION. A cooperative may be organized by one  
19 33 or more organizers who shall be adult natural persons, and who  
19 34 may act for themselves as individuals or as the agents of  
19 35 other entities. The organizers forming the cooperative need  
20 1 not be members of the cooperative.

20 2 2. ROLE OF ORGANIZERS. If the first board of directors is  
20 3 not named in the articles of organization, the organizers may  
20 4 elect the first board or may act as directors with all of the  
20 5 powers, rights, duties, and liabilities of directors, until  
20 6 directors are elected or until a contribution is accepted,  
20 7 whichever occurs first.

20 8 3. MEETING. After the filing of articles of organization,  
20 9 the organizers or the directors named in the articles of  
20 10 organization shall either hold an organizational meeting at  
20 11 the call of a majority of the organizers or of the directors  
20 12 named in the articles, or take written action for the purposes  
20 13 of transacting business and taking actions necessary or  
20 14 appropriate to complete the organization of the cooperative,  
20 15 including but not limited to all of the following:

20 16 a. Amending the articles.

20 17 b. Electing directors.

20 18 c. Adopting bylaws.

20 19 d. Authorizing or ratifying the purchase, lease, or other  
20 20 acquisition of suitable space, furniture, furnishings,  
20 21 supplies, or materials.

20 22 e. Adopting a fiscal year.

20 23 f. Contracting to receive and accept contributions.

20 24 g. Making appropriate tax elections.

20 25 If a meeting is held, the person or persons calling the  
20 26 meeting shall give at least three days' notice of the meeting  
20 27 to each organizer or director named, stating the date, time,  
20 28 and place of the meeting. Organizers and directors may waive  
20 29 notice of an organizational meeting in the same manner that a  
20 30 director may waive notice of meetings of the board.

20 31 Sec. 27. NEW SECTION. 501A.503 ARTICLES OF ORGANIZATION.

20 32 1. a. The articles of organization for the cooperative  
20 33 shall include all of the following:

20 34 (1) The name of the cooperative.

20 35 (2) The purpose of the cooperative.

21 1 (3) The name and address of each organizer.

21 2 (4) The period of duration for the cooperative, if the  
21 3 duration is not to be perpetual.

21 4 (5) The street address of the cooperative's initial

21 5 registered office and the name of its registered agent at that  
21 6 office.

21 7 b. The articles may contain any other lawful provision.

21 8 2. EFFECT OF FILING. When the articles of organization or  
21 9 an application for a certificate of authority has been filed  
21 10 pursuant to subchapter 2 and the required fee has been paid to  
21 11 the secretary under section 501A.205, all of the following  
21 12 shall be presumed:

21 13 a. All conditions precedent that are required to be  
21 14 performed by the organizers have been complied with.

21 15 b. The organization of the cooperative has been organized  
21 16 under the laws of this state as a separate legal entity.

21 17 c. The secretary shall issue an acknowledgment to the  
21 18 cooperative.

21 19 Sec. 28. NEW SECTION. 501A.504 AMENDMENT OF ARTICLES.

21 20 1. a. The articles of organization of a cooperative shall  
21 21 be amended only as follows:

21 22 (1) The board, by majority vote, must pass a resolution  
21 23 stating the text of the proposed amendment. The text of the

21 24 proposed amendment and an attached mail or alternative ballot,  
21 25 if the board has provided for a mail or alternative ballot in  
21 26 the resolution or alternative method approved by the board and  
21 27 stated in the resolution, shall be mailed or otherwise  
21 28 distributed with a regular or special meeting notice to each  
21 29 member. The notice shall designate the time and place of the  
21 30 meeting for the proposed amendment to be considered and voted  
21 31 on.

21 32 (2) If a quorum of the members is registered as being  
21 33 present or represented by alternative vote at the meeting, the  
21 34 proposed amendment is adopted if any of the following occurs:

21 35 (a) If approved by a majority of the votes cast.

22 1 (b) For a cooperative with articles or bylaws requiring  
22 2 more than majority approval or other conditions for approval,  
22 3 the amendment is approved by a proportion of the votes cast or  
22 4 a number of total members as required by the articles or  
22 5 bylaws and the conditions for approval in the articles or  
22 6 bylaws have been satisfied.

22 7 b. After an amendment has been adopted by the members, the  
22 8 amendment must be signed by the chairperson, vice chairperson,  
22 9 records officer, or assistant records officer and a copy of  
22 10 the amendment filed in the office of the secretary.

22 11 2. CERTIFIED STATEMENT.

22 12 a. The board shall prepare a certified statement affirming  
22 13 that all of the following are true:

22 14 (1) The vote and meeting of the board adopting a  
22 15 resolution of the proposed amendment.

22 16 (2) The notice given to members of the meeting at which  
22 17 the amendment was adopted.

22 18 (3) The quorum registered at the meeting.

22 19 (4) The vote cast adopting the amendment.

22 20 b. The certified statement shall be signed by the  
22 21 chairperson, vice chairperson, records officer, or financial  
22 22 officer and filed with the records of the cooperative.

22 23 3. AMENDMENT BY DIRECTORS. A majority of directors may  
22 24 amend the articles if the cooperative does not have any  
22 25 members with voting rights.

22 26 4. FILING. An amendment of the articles shall be filed  
22 27 with the secretary as required in section 501A.503. The  
22 28 amendment is effective as provided in subchapter 2. After an  
22 29 amendment to the articles of organization has been adopted and  
22 30 approved in the manner required by this chapter and by the  
22 31 articles of organization, the cooperative shall deliver to the  
22 32 secretary of state for filing articles of amendment which  
22 33 shall set forth all of the following:

22 34 a. The name of the cooperative.

22 35 b. The text of each amendment adopted.

23 1 c. The date of each amendment's adoption.

23 2 d. If the amendment was adopted by the directors or  
23 3 members and that members' adoption was not required.

23 4 e. If an amendment required adoption by the members, a  
23 5 statement that the amendment was duly adopted by the members  
23 6 in the manner required by this chapter and by the articles of  
23 7 organization.

23 8 Sec. 29. NEW SECTION. 501A.505 EXISTENCE.

23 9 1. COMMENCEMENT. The existence of a cooperative shall  
23 10 commence on or after the filing of articles of organization as  
23 11 provided in section 501A.503.

23 12 2. DURATION. A cooperative shall have a perpetual  
23 13 duration unless the cooperative provides for a limited period  
23 14 of duration in the articles or the cooperative is dissolved as  
23 15 provided in subchapter 12.

23 16 Sec. 30. NEW SECTION. 501A.506 BYLAWS.

23 17 1. REQUIRED. A cooperative shall have bylaws governing  
23 18 the cooperative's business affairs, structure, the  
23 19 qualifications, classification, rights and obligations of  
23 20 members, and the classifications, allocations, and  
23 21 distributions of membership interests, which are not otherwise  
23 22 provided in the articles or by this chapter.

23 23 2. CONTENTS.

23 24 a. If not stated in the articles, a cooperative's bylaws  
23 25 must state all of the following:

23 26 (1) The purpose of the cooperative.

23 27 (2) The capital structure of the cooperative to the extent  
23 28 not stated in the articles, including a statement of the  
23 29 classes and relative rights, preferences, and restrictions  
23 30 granted to or imposed upon each class of member interests, the  
23 31 rights to share in profits or distributions of the  
23 32 cooperative, and the authority to issue membership interests,  
23 33 which may be designated to be determined by the board.

23 34 (3) A provision designating the voting and governance

23 35 rights, to the extent not stated in the articles, including  
24 1 which membership interests have voting power and any  
24 2 limitations or restrictions on the voting power, which shall  
24 3 be in accordance with the provisions of this chapter.  
24 4 (4) A statement that patron membership interests with  
24 5 voting power shall be restricted to one vote for each member  
24 6 regardless of the amount of patron membership interests held  
24 7 in the affairs of the cooperative or a statement describing  
24 8 the allocation of voting power allocated as prescribed in this  
24 9 chapter.

24 10 (5) A statement that membership interests held by a member  
24 11 are transferable only with the approval of the board or as  
24 12 provided in the bylaws.

24 13 (6) If nonpatron membership interests are authorized, all  
24 14 of the following:

24 15 (a) A statement as to how profits and losses will be  
24 16 allocated and cash will be distributed between patron  
24 17 membership interests collectively and nonpatron membership  
24 18 interests collectively to the extent not stated in the  
24 19 articles.

24 20 (b) A statement that net income allocated to a patron  
24 21 membership interest as determined by the board in excess of  
24 22 dividends and additions to reserves shall be distributed on  
24 23 the basis of patronage.

24 24 (c) A statement that the records of the cooperative shall  
24 25 include patron membership interests and, if authorized,  
24 26 nonpatron membership interests, which may be further described  
24 27 in the bylaws of any classes and in the reserves.

24 28 b. The bylaws may contain any provision relating to the  
24 29 management or regulation of the affairs of the cooperative  
24 30 that are not inconsistent with law or the articles, and shall  
24 31 include all of the following:

24 32 (1) The number of directors and the qualifications, manner  
24 33 of election, powers, duties, and compensation, if any, of  
24 34 directors.

24 35 (2) The qualifications of members and any limitations on  
25 1 their number.

25 2 (3) The manner of admission, withdrawal, suspension, and  
25 3 expulsion of members.

25 4 (4) Generally, the governance rights, financial rights,  
25 5 assignability of governance and financial rights, and other  
25 6 rights, privileges, and obligations of members and their  
25 7 membership interests, which may be further described in member  
25 8 control agreements.

25 9 (5) Any provisions required by the articles to be in the  
25 10 bylaws.

### 25 11 3. ADOPTION.

25 12 a. Bylaws shall be adopted before any distributions to  
25 13 members, but if the articles or bylaws provide that rights of  
25 14 contributors to a class of membership interest will be  
25 15 determined in the bylaws, the bylaws must be adopted before  
25 16 the acceptance of any contributions to that class.

25 17 b. Subject to subsections 4, 5, and 6, the bylaws of a  
25 18 cooperative may be adopted or amended by the directors, or the  
25 19 members may adopt or amend bylaws at a regular or special  
25 20 members' meeting if all of the following apply:

25 21 (1) The notice of the regular or special meeting contains  
25 22 a statement that the bylaws or restated bylaws will be voted  
25 23 upon and copies are included with the notice, or copies are  
25 24 available upon request from the cooperative and a summary  
25 25 statement of the proposed bylaws or amendment is included with  
25 26 the notice.

25 27 (2) A quorum is registered as being present or represented  
25 28 by mail or alternative voting method if the mail or  
25 29 alternative voting method is authorized by the board.

25 30 (3) The bylaws or amendment is approved by a majority vote  
25 31 cast, or for a cooperative with articles or bylaws requiring  
25 32 more than majority approval or other conditions for approval,  
25 33 the bylaws or amendment is approved by a proportion of the  
25 34 vote cast or a number of the total members as required by the  
25 35 articles or bylaws and the conditions for approval in the

26 1 articles or bylaws have been satisfied.

26 2 c. Until the next annual or special members' meeting, the  
26 3 majority of directors may adopt and amend bylaws for the  
26 4 cooperative that are consistent with subsections 4, 5, and 6,  
26 5 which may be further amended or repealed by the members at an  
26 6 annual or special members' meeting.

### 26 7 4. AMENDMENT OF BYLAWS BY BOARD OR MEMBERS.

26 8 a. The board may amend the bylaws at any time to add,  
26 9 change, or delete a provision, unless any of the following  
26 10 applies:

26 11 (1) This chapter, the articles, or the bylaws reserve the  
26 12 power exclusively to the members in whole or in part.  
26 13 (2) A particular bylaw expressly prohibits the board from  
26 14 doing so.  
26 15 b. Any amendment of the bylaws adopted by the board must  
26 16 be distributed to the members no later than ten days after  
26 17 adoption and the notice of the annual meeting of the members  
26 18 must contain a notice and summary or the actual amendments to  
26 19 the bylaws adopted by the board.  
26 20 c. The members may amend the bylaws even though the bylaws  
26 21 may also be amended by the board.

26 22 5. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR  
26 23 MEMBERS.

26 24 a. (1) The members may amend the bylaws to fix a greater  
26 25 quorum or voting requirement for members, or voting groups of  
26 26 members, than is required under this chapter.

26 27 (2) An amendment to the bylaws to add, change, or delete a  
26 28 greater quorum or voting requirement for members shall meet  
26 29 the same quorum requirement and be adopted by the same vote  
26 30 and voting groups required to take action under the quorum and  
26 31 voting requirements then in effect or proposed to be adopted,  
26 32 whichever is greater.

26 33 b. A bylaw that fixes a greater quorum or voting  
26 34 requirement for members under paragraph "a" shall not be  
26 35 adopted and shall not be amended by the board.

27 1 6. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR  
27 2 DIRECTORS.

27 3 a. A bylaw that fixes a greater quorum or voting  
27 4 requirement for the board may be amended by any of the  
27 5 following methods:

27 6 (1) If adopted by the members, only by the members.

27 7 (2) If adopted by the board, either by the members or by  
27 8 the board.

27 9 b. A bylaw adopted or amended by the members that fixes a  
27 10 greater quorum or voting requirement for the board may provide  
27 11 that the bylaw may be amended only by a specified vote of  
27 12 either the members or the board, but if the bylaw is to be  
27 13 amended by a specified vote of the members, the bylaw must be  
27 14 adopted by the same specified vote of the members.

27 15 c. Action by the board under paragraph "a", subparagraph  
27 16 (2), to adopt or amend a bylaw that changes the quorum or  
27 17 voting requirement for the board shall meet the same quorum  
27 18 requirement and be adopted by the same vote required to take  
27 19 action under the quorum and voting requirement then in effect  
27 20 or proposed to be adopted, whichever is greater.

27 21 7. EMERGENCY BYLAWS.

27 22 a. Unless otherwise provided in the articles or bylaws,  
27 23 the board may adopt bylaws to be effective only in an  
27 24 emergency as defined in paragraph "d". The emergency bylaws,  
27 25 which are subject to amendment or repeal by the members, may  
27 26 include all provisions necessary for managing the cooperative  
27 27 during the emergency, including any of the following:

27 28 (1) Procedures for calling a meeting of the board.

27 29 (2) Quorum requirements for the meeting.

27 30 (3) Designation of additional or substitute directors.

27 31 b. All provisions of the regular bylaws consistent with  
27 32 the emergency bylaws shall remain in effect during the  
27 33 emergency. The emergency bylaws shall not be effective after  
27 34 the emergency ends.

27 35 c. All of the following shall apply to action taken in  
28 1 good faith in accordance with the emergency bylaws:

28 2 (1) The action binds the cooperative.

28 3 (2) The action shall not be the basis for imposition of  
28 4 liability on any director, officer, employee, or agent of the  
28 5 cooperative on the grounds that the action was not authorized  
28 6 cooperative action.

28 7 d. An emergency exists for the purposes of this section,  
28 8 if a quorum of the directors cannot readily be obtained  
28 9 because of some catastrophic event.

28 10 Sec. 31. NEW SECTION. 501A.507 COOPERATIVE RECORDS.

28 11 1. PERMANENT RECORDS REQUIRED TO BE KEPT. A cooperative  
28 12 shall keep as permanent records minutes of all meetings of its  
28 13 members and of the board, a record of all actions taken by the  
28 14 members or the board without a meeting by a written unanimous  
28 15 consent in lieu of a meeting, and a record of all waivers of  
28 16 notices of meetings of the members and of the board.

28 17 2. ACCOUNTING RECORDS. A cooperative shall maintain  
28 18 appropriate accounting records.

28 19 3. FORMAT. A cooperative shall maintain its records in  
28 20 written form or in another form capable of conversion into  
28 21 written form within a reasonable time.

28 22 4. COPIES. A cooperative shall keep a copy of each of the  
28 23 following records at its principal office:  
28 24 a. Its articles and other governing instruments.  
28 25 b. Its bylaws or other similar instruments.  
28 26 c. A record of the names and addresses of its members, in  
28 27 a form that allows preparation of an alphabetical list of  
28 28 members with each member's address.  
28 29 d. The minutes of members' meetings, and records of all  
28 30 actions taken by members without a meeting by unanimous  
28 31 written consent in lieu of a meeting, for the past three  
28 32 years.  
28 33 e. All written communications within the past three years  
28 34 to members as a group or to any class of members as a group.  
28 35 f. A list of the names and business addresses of its  
29 1 current board members and officers.  
29 2 g. All financial statements prepared for periods ending  
29 3 during the last fiscal year.  
29 4 5. Except as otherwise limited by this chapter, the board  
29 5 of a cooperative shall have discretion to determine what  
29 6 records are appropriate for the purposes of the cooperative,  
29 7 the length of time records are to be retained, and policies  
29 8 relating to the confidentiality, disclosure, inspection, and  
29 9 copying of the records of the cooperative.

#### 29 10 SUBCHAPTER 6

#### 29 11 POWERS AND AUTHORITIES

29 12 Sec. 32. NEW SECTION. 501A.601 POWERS.

##### 29 13 1. GENERALLY.

29 14 a. In addition to other powers, a cooperative as an agent  
29 15 or otherwise may do any of the following:

29 16 (1) Perform every act necessary or proper to the conduct  
29 17 of the cooperative's business or the accomplishment of the  
29 18 purposes of the cooperative.

29 19 (2) Enjoy other rights, powers, or privileges granted by  
29 20 the laws of this state to other cooperatives, except those  
29 21 that are inconsistent with the express provisions of this  
29 22 chapter.

29 23 (3) Have the powers provided in section 501A.501 and in  
29 24 this section.

29 25 b. This section does not give a cooperative the power or  
29 26 authority to exercise the powers of a credit union under  
29 27 chapter 533, a bank under chapter 524, or a savings and loan  
29 28 association under chapter 534.

29 29 2. DEALING IN PRODUCTS. A cooperative may buy, sell, or  
29 30 deal in its own commodities or products or those of another  
29 31 person, including but not limited to those of its members,  
29 32 patrons, or nonmembers; another cooperative organized under  
29 33 this chapter or another cooperative association organized  
29 34 under other law including a traditional cooperative, or  
29 35 members or patrons of such cooperatives or cooperative  
30 1 associations. A cooperative may negotiate the price at which  
30 2 its commodities products may be sold.

30 3 3. CONTRACTS WITH MEMBERS. A cooperative may enter into  
30 4 or become a party to a contract or agreement for the  
30 5 cooperative or for the cooperative's members or patrons or  
30 6 between the cooperative and its members or patrons.

##### 30 7 4. HOLDING AND TRANSACTIONS OF REAL AND PERSONAL PROPERTY.

30 8 a. A cooperative may purchase and hold, lease, mortgage,  
30 9 encumber, sell, exchange, and convey as a legal entity real,  
30 10 personal, and intellectual property, including real estate,  
30 11 buildings, personal property, patents, and copyrights as the  
30 12 business of the cooperative may require, including but not  
30 13 limited to the sale or other disposition of assets required by  
30 14 the business of the cooperative as determined by the board.

30 15 b. A cooperative may take, receive, and hold real or  
30 16 personal property, including the principal and interest of  
30 17 money or other negotiable instruments and rights in a  
30 18 contract, in trust for any purpose not inconsistent with the  
30 19 purposes of the cooperative in its articles or bylaws. The  
30 20 cooperative may exercise fiduciary powers in relation to  
30 21 taking, receiving, and holding the real or personal property.  
30 22 However, a cooperative's fiduciary powers do not include trust  
30 23 powers or trust services exercised for its members as provided  
30 24 in section 633.63 or chapter 524.

30 25 5. BUILDINGS. A cooperative may erect buildings or other  
30 26 structures or facilities on the cooperative's owned or leased  
30 27 property or on a right-of-way legally acquired by the  
30 28 cooperative.

##### 30 29 6. DEBT INSTRUMENTS.

30 30 a. A cooperative may issue bonds, debentures, or other  
30 31 evidence of indebtedness, except as provided in subsection 1,  
30 32 paragraph "b". The cooperative shall not issue bonds,

30 33 debentures, or other evidence of indebtedness to a  
30 34 nonaccredited member, unless prior to issuance the cooperative  
30 35 provides the member with a written disclosure statement which  
31 1 includes a conspicuous notice that moneys are not insured or  
31 2 guaranteed by an agency or instrumentality of the United  
31 3 States government, and that the investment may lose value.  
31 4 b. A cooperative may borrow money, may secure any of its  
31 5 obligations by mortgage of or creation of a security interest  
31 6 in or other encumbrances or assignment of all or any of its  
31 7 property, franchises, or income, and may issue guarantees for  
31 8 any legal purpose.  
31 9 c. A cooperative may form special purpose business  
31 10 entities to secure assets of the cooperative.  
31 11 7. ADVANCES TO PATRONS. A cooperative may make advances  
31 12 to its members or patrons on products delivered by the members  
31 13 or patrons to the cooperative.  
31 14 8. DEPOSITS. A cooperative may accept donations or  
31 15 deposits of money or real or personal property from other  
31 16 cooperatives or associations from which the cooperative is  
31 17 constituted.  
31 18 9. BORROWING, INVESTMENT, AND PAYMENT TERMS. A  
31 19 cooperative may borrow money from its members, or cooperatives  
31 20 or associations from which the cooperative is constituted,  
31 21 with security that the cooperative considers sufficient. A  
31 22 cooperative may invest or reinvest its moneys. A cooperative  
31 23 may extend payment terms to its customers not exceeding six  
31 24 months from the date of the sale of the cooperative's goods or  
31 25 services. An extension of payment terms by the cooperative  
31 26 shall not be secured by real property. A cooperative may  
31 27 exercise rights as a lien creditor or judgment creditor to  
31 28 collect any past due or delinquent account which is owed to  
31 29 the cooperative.  
31 30 10. PENSIONS AND BENEFITS. A cooperative may pay  
31 31 pensions, retirement allowances, and compensation for past  
31 32 services to and for the benefit of, and establish, maintain,  
31 33 continue, and carry out, wholly or partially at the expense of  
31 34 the cooperative, employee, or incentive benefit plans, trusts,  
31 35 and provisions to or for the benefit of any or all of its and  
32 1 its related organizations' officers, managers, directors,  
32 2 governors, employees, and agents; and in the case of a related  
32 3 organization that is a cooperative, members who provide  
32 4 services to the cooperative, and any of their families,  
32 5 dependents, and beneficiaries. A cooperative may indemnify  
32 6 and purchase and maintain insurance for and on behalf of a  
32 7 fiduciary of any of these employee benefit and incentive  
32 8 plans, trusts, and provisions.  
32 9 11. INSURANCE.  
32 10 a. A cooperative may purchase and maintain insurance on  
32 11 behalf of a person who is or was a director, officer,  
32 12 employee, or agent of the cooperative and in which the  
32 13 cooperative has an insurable interest. The cooperative may  
32 14 also purchase and maintain insurance on the life of a member  
32 15 for the purpose of acquiring at the death of the member any or  
32 16 all membership interests in the cooperative owned by the  
32 17 member.  
32 18 b. A cooperative or a foreign cooperative shall not sell,  
32 19 solicit, or negotiate in this state any line of insurance to  
32 20 members or nonmembers.  
32 21 12. OWNERSHIP INTERESTS IN OTHER ENTITIES.  
32 22 a. A cooperative may purchase, acquire, hold, or dispose  
32 23 of the ownership interests of another business entity or  
32 24 organize business entities whether organized under the laws of  
32 25 this state or another state or the United States and assume  
32 26 all rights, interests, privileges, responsibilities, and  
32 27 obligations arising out of the ownership interests, including  
32 28 a business entity organized as any of the following:  
32 29 (1) As a federation of associations.  
32 30 (2) For the purpose of forming a district, state, or  
32 31 national marketing sales or service agency.  
32 32 (3) For the purpose of acquiring marketing facilities at  
32 33 terminal or other markets in this state or other states.  
32 34 b. A cooperative may purchase, own, and hold ownership  
32 35 interests, including stock and other equity interests,  
33 1 memberships, interests in nonstock capital, and evidences of  
33 2 indebtedness of any domestic business entity or foreign  
33 3 business entity.  
33 4 13. FIDUCIARY POWERS. A cooperative may exercise any and  
33 5 all fiduciary powers in relations with members, cooperatives,  
33 6 or business entities from which the cooperative is  
33 7 constituted. However, these fiduciary powers do not include  
33 8 trust powers or trust services for its members as provided in

33 9 section 633.63 or chapter 524.

33 10 Sec. 33. NEW SECTION. 501A.602 EMERGENCY POWERS.

33 11 1. In anticipation of or during an emergency as defined in  
33 12 this section, the board may do any of the following:

33 13 a. Modify lines of succession to accommodate the  
33 14 incapacity of any director, officer, employee, or agent.

33 15 b. Relocate the principal office, designate alternative  
33 16 principal offices or regional offices, or authorize the  
33 17 officers to do so.

33 18 2. During an emergency, unless emergency bylaws provide  
33 19 otherwise, all of the following apply:

33 20 a. A notice of a meeting of the board need be given only  
33 21 to those directors to whom it is practicable to reach and may  
33 22 be given in any practicable manner, including by publication  
33 23 or radio.

33 24 b. One or more officers of the cooperative present at a  
33 25 meeting of the board may be deemed to be directors for the  
33 26 meeting, in order of rank and within the same rank in order of  
33 27 seniority, as necessary to achieve a quorum.

33 28 3. All of the following apply to cooperative action taken  
33 29 in good faith during an emergency under this section to  
33 30 further the ordinary business affairs of the cooperative:

33 31 a. The action binds the cooperative.

33 32 b. The action shall not be the basis for the imposition of  
33 33 liability on any director, officer, employee, or agent of the  
33 34 cooperative on the grounds that the action was not an  
33 35 authorized cooperative action.

34 1 4. An emergency exists for purposes of this section if a  
34 2 quorum of the directors cannot readily be obtained because of  
34 3 a catastrophic event.

34 4 Sec. 34. NEW SECTION. 501A.603 AGRICULTURAL COMMODITIES  
34 5 AND PRODUCTS == MARKETING CONTRACTS.

34 6 1. AUTHORITY. A cooperative and its patron member or  
34 7 patron may make and execute a marketing contract, requiring  
34 8 the patron member or patron to sell a specified portion of the  
34 9 patron member's or patron's agricultural commodity or product  
34 10 or specified commodity or product produced from a certain area  
34 11 exclusively to or through the cooperative or facility  
34 12 established by the cooperative.

34 13 2. TITLE TO COMMODITIES OR PRODUCTS. If a sale is  
34 14 contracted to the cooperative, the sale shall transfer title  
34 15 to the commodity or product absolutely, except for a recorded  
34 16 lien or security interest against the agricultural commodity  
34 17 or product of the patron member or patron as provided in  
34 18 article 9 of chapter 554, and provisions in Title XIV,  
34 19 subtitle 3, governing agricultural liens, and liens granted  
34 20 against farm products under federal law, to the cooperative on  
34 21 delivery of the commodity or product or at another specified  
34 22 time if expressly provided in the contract. The contract may  
34 23 allow the cooperative to sell or resell the commodity or  
34 24 product of its patron member or patron with or without taking  
34 25 title to the commodity or product, and pay the resale price to  
34 26 the patron member or patron, after deducting all necessary  
34 27 selling, overhead, and other costs and expenses, including  
34 28 other proper reserves and interest.

34 29 3. TERM OF CONTRACT. A single term of a marketing  
34 30 contract shall not exceed ten years, but a marketing contract  
34 31 may be made self-renewing for periods not exceeding five years  
34 32 each, subject to the right of either party to terminate by  
34 33 giving written notice of the termination during a period of  
34 34 the current term as specified in the contract.

34 35 4. DAMAGES FOR BREACH OF CONTRACT. The cooperative's  
35 1 bylaws or marketing contract in which the cooperative is a  
35 2 party may set a specific sum as liquidated damages to be paid  
35 3 by the patron member or patron to the cooperative for breach  
35 4 of any provision of the marketing contract regarding the sale  
35 5 or delivery or withholding of a commodity or product and may  
35 6 provide that the patron member or patron shall pay the costs,  
35 7 premiums for bonds, expenses, and fees if an action is brought  
35 8 on the contract by the cooperative. The remedies for breach  
35 9 of contract are valid and enforceable in the courts of this  
35 10 state. The provisions shall be enforced as liquidated damages  
35 11 and are not considered a penalty.

35 12 5. INJUNCTION AGAINST BREACH OF CONTRACT. If there is a  
35 13 breach or threatened breach of a marketing contract by a  
35 14 patron member or patron, the cooperative is entitled to an  
35 15 injunction to prevent the further breach of the contract and  
35 16 to a decree of specific performance of the contract. Pending  
35 17 the adjudication of the action after filing a complaint  
35 18 showing the breach or threatened breach and filing a  
35 19 sufficient bond, the cooperative is entitled to a temporary

35 20 restraining order and preliminary injunction against the  
35 21 patron member or patron.  
35 22 6. PENALTIES FOR CONTRACT INTERFERENCE AND FALSE REPORTS.  
35 23 A person who knowingly induces or attempts to induce any  
35 24 member or patron of a cooperative organized under this chapter  
35 25 to breach a marketing contract with the cooperative is guilty  
35 26 of a simple misdemeanor.  
35 27 7. CIVIL DAMAGES FOR CONTRACT INTERFERENCE AND FALSE  
35 28 REPORTS. In addition to the penalty provided in subsection 6,  
35 29 the person may be liable to the cooperative for civil damages  
35 30 for any violation of that subsection.

35 31 SUBCHAPTER 7

35 32 DIRECTORS AND OFFICERS

35 33 Sec. 35. NEW SECTION. 501A.701 BOARD GOVERNS  
35 34 COOPERATIVE.

35 35 A cooperative shall be governed by its board of directors,  
36 1 which shall take all action for and on behalf of the  
36 2 cooperative, except those actions reserved or granted to  
36 3 members. Board action shall be by the affirmative vote of a  
36 4 majority of the directors voting at a duly called meeting  
36 5 unless a greater majority is required by the articles or  
36 6 bylaws. A director individually or collectively with other  
36 7 directors does not have authority to act for or on behalf of  
36 8 the cooperative unless authorized by the board. A director  
36 9 may advocate interests of members or member groups to the  
36 10 board, but the fiduciary duty of each director is to represent  
36 11 the best interests of the cooperative and all members  
36 12 collectively.

36 13 Sec. 36. NEW SECTION. 501A.702 NUMBER OF DIRECTORS.

36 14 The board shall not have less than five directors, except  
36 15 that a cooperative with fifty or fewer members may have three  
36 16 or more directors as prescribed in the cooperative's articles  
36 17 or bylaws.

36 18 Sec. 37. NEW SECTION. 501A.703 ELECTION OF DIRECTORS.

36 19 1. FIRST BOARD. The organizers shall elect and obtain the  
36 20 acknowledgment of the first board to serve until directors are  
36 21 elected by members. Until election by members, the first  
36 22 board shall appoint directors to fill any vacancies.

36 23 2. GENERALLY.

36 24 a. Directors shall be elected for the term, at the time,  
36 25 and in the manner provided in this section and the bylaws.

36 26 b. A majority of the directors shall be members and a  
36 27 majority of the directors shall be elected exclusively by the  
36 28 members holding patron membership interests unless otherwise  
36 29 provided in the articles or bylaws.

36 30 c. The voting power of the directors may be allocated  
36 31 according to equity classifications or allocation units of the  
36 32 cooperative. If the cooperative authorizes nonpatron  
36 33 membership interests, one of the following must apply:

36 34 (1) At least one-half of the voting power on matters of  
36 35 the cooperative that are not specific to equity  
37 1 classifications or allocation units shall be allocated to the  
37 2 directors elected by members holding patron membership  
37 3 interests.

37 4 (2) The directors elected by the members holding patron  
37 5 membership interests shall have at least an equal voting power  
37 6 or shall not have a minority voting power on general matters  
37 7 of the cooperative that are not specific to equity  
37 8 classifications or allocation units.

37 9 d. A director holds office for the term the director was  
37 10 elected and until a successor is elected and has qualified, or  
37 11 until the earlier death, resignation, removal, or  
37 12 disqualification of the director.

37 13 e. The expiration of a director's term with or without  
37 14 election of a qualified successor does not make the prior or  
37 15 subsequent acts of the director or the board void or voidable.

37 16 f. Subject to any limitation in the articles or bylaws,  
37 17 the board may set the compensation of directors.

37 18 g. Directors may be divided into or designated and elected  
37 19 by class or other distinction as provided in the articles or  
37 20 bylaws.

37 21 h. A director may resign by giving written notice to the  
37 22 chairperson of the board or the board. The resignation is  
37 23 effective without acceptance when the notice is given to the  
37 24 chairperson of the board or the board unless a later effective  
37 25 time is specified in the notice.

37 26 3. ELECTION AT REGULAR MEETING. Directors shall be  
37 27 elected at the regular members' meeting for the terms of  
37 28 office prescribed in the bylaws. Except for directors elected  
37 29 at district meetings or special meetings to fill a vacancy,  
37 30 all directors shall be elected at the regular members'



37 31 meeting. There shall be no cumulative voting for directors  
37 32 except as provided in this chapter and the articles or bylaws.  
37 33 4. DISTRICT OR LOCAL UNIT ELECTION OF DIRECTORS. For a  
37 34 cooperative with districts or other units, members may elect  
37 35 directors on a district or unit basis if provided in the  
38 1 bylaws. The directors may be nominated or elected at district  
38 2 meetings if provided in the bylaws. Directors who are  
38 3 nominated at district meetings shall be elected at the annual  
38 4 regular members' meeting by vote of the entire membership,  
38 5 unless the bylaws provide that directors who are nominated at  
38 6 district meetings are to be elected by vote of the members of  
38 7 the district, at the district meeting, or the annual regular  
38 8 members' meeting.

38 9 5. VOTE BY MAIL OR ALTERNATIVE BALLOT. The following  
38 10 shall apply to voting by mail or alternative ballot voting:  
38 11 a. A member shall not vote for a director other than by  
38 12 being present at a meeting or by mail ballot or alternative  
38 13 ballot authorized by the board.  
38 14 b. The ballot shall be in a form prescribed by the board.  
38 15 c. The member shall mark the ballot for the candidate  
38 16 chosen and mail the ballot to the cooperative in a sealed  
38 17 plain envelope inside another envelope bearing the member's  
38 18 name, or shall vote designating the candidate chosen by  
38 19 alternative ballot in the manner prescribed by the board.  
38 20 d. If the ballot of the member is received by the  
38 21 cooperative on or before the date of the regular members'  
38 22 meeting or as otherwise prescribed for alternative ballots,  
38 23 the ballot shall be accepted and counted as the vote of the  
38 24 absent member.

38 25 6. BUSINESS ENTITY MEMBERS MAY NOMINATE PERSONS FOR  
38 26 DIRECTOR. If a member of a cooperative is not a natural  
38 27 person, and the bylaws do not provide otherwise, the member  
38 28 may appoint or elect one or more natural persons to be  
38 29 eligible for election as a director.

38 30 7. TERM. A director holds office for the term the  
38 31 director was elected and until a successor is elected and has  
38 32 qualified, or the earlier death, resignation, removal, or  
38 33 disqualification of the director.

38 34 8. ACTS NOT VOID OR VOIDABLE. The expiration of a  
38 35 director's term with or without the election of a qualified  
39 1 successor does not make prior or subsequent acts of the  
39 2 director void or voidable.

39 3 9. COMPENSATION. Subject to any limitation in the  
39 4 articles or bylaws, the board may fix the compensation of the  
39 5 directors.

39 6 10. CLASSIFICATION. Directors may be divided into classes  
39 7 as provided in the articles or bylaws.

39 8 Sec. 38. NEW SECTION. 501A.704 FILLING VACANCIES.

39 9 1. PATRON DIRECTORS. If a patron member director's  
39 10 position becomes vacant or a new director position is created  
39 11 for a director that was or is to be elected by patron members,  
39 12 the board, in consultation with the directors elected by  
39 13 patron members, shall appoint a patron member of the  
39 14 cooperative to fill the director's position until the next  
39 15 regular or special members' meeting. If there are no  
39 16 directors elected by patron members on the board at the time  
39 17 of the vacancy, a special patron members' meeting shall be  
39 18 called to fill the patron member director vacancy.

39 19 2. NONPATRON DIRECTORS. If the vacating director was not  
39 20 elected by the patron members or a new director position is  
39 21 created, unless otherwise provided in the articles or bylaws,  
39 22 the board shall appoint a director to fill the vacant position  
39 23 by majority vote of the remaining or then serving directors  
39 24 even though less than a quorum. At the next regular or  
39 25 special members' meeting, the members or patron members shall  
39 26 elect a director to fill the unexpired term of the vacant  
39 27 director's position.

39 28 Sec. 39. NEW SECTION. 501A.705 REMOVAL OF DIRECTORS.

39 29 1. MODIFICATION. The provisions of this section apply  
39 30 unless modified by the articles or the bylaws.

39 31 2. REMOVAL OF DIRECTORS. A director may be removed at any  
39 32 time, with or without cause, if all of the following apply:

39 33 a. The director was named by the board to fill a vacancy.  
39 34 b. The members have not elected directors in the interval  
39 35 between the time of the appointment to fill a vacancy and the  
40 1 time of the removal.

40 2 c. A majority of the remaining directors present  
40 3 affirmatively vote to remove the director.

40 4 3. REMOVAL BY MEMBERS. Any one or all of the directors  
40 5 may be removed at any time, with or without cause, by the  
40 6 affirmative vote of the holders of a majority of the voting

40 7 power of membership interests entitled to vote at an election  
40 8 of directors, provided that if a director has been elected  
40 9 solely by the patron members or the holders of a class or  
40 10 series of membership interests as stated in the articles or  
40 11 bylaws, then that director may be removed only by the  
40 12 affirmative vote of the holders of a majority of the voting  
40 13 power of the patron members for a director elected by the  
40 14 patron members or of all membership interests of that class or  
40 15 series entitled to vote at an election of that director.  
40 16 4. ELECTION OF REPLACEMENTS. New directors may be elected  
40 17 at a meeting at which directors are removed.  
40 18 Sec. 40. NEW SECTION. 501A.706 BOARD OF DIRECTORS'  
40 19 MEETINGS.  
40 20 1. TIME AND PLACE. Meetings of the board may be held from  
40 21 time to time as provided in the articles or bylaws at any  
40 22 place within or without the state that the board may select or  
40 23 by any means described in subsection 2. If the board fails to  
40 24 select a place for a meeting, the meeting must be held at the  
40 25 principal executive office, unless the articles or bylaws  
40 26 provide otherwise.  
40 27 2. ELECTRONIC COMMUNICATIONS.  
40 28 a. A conference among directors by any means of  
40 29 communication through which the directors may simultaneously  
40 30 hear each other during the conference constitutes a board  
40 31 meeting, if the same notice is given of the conference as  
40 32 would be required by subsection 3 for a meeting, and if the  
40 33 number of directors participating in the conference would be  
40 34 sufficient to constitute a quorum at a meeting. Participation  
40 35 in a meeting by that means constitutes presence in person at  
41 1 the meeting.  
41 2 b. A director may participate in a board meeting not  
41 3 described in paragraph "a" by any means of communication  
41 4 through which the director, other directors so participating,  
41 5 and all directors physically present at the meeting may  
41 6 simultaneously hear each other during the meeting.  
41 7 Participation in a meeting by that means constitutes presence  
41 8 in person at the meeting.  
41 9 3. CALLING MEETINGS AND NOTICE. Unless the articles or  
41 10 bylaws provide for a different time period, a director may  
41 11 call a board meeting by giving at least ten days' notice or,  
41 12 in the case of organizational meetings, at least three days'  
41 13 notice to all directors of the date, time, and place of the  
41 14 meeting. The notice need not state the purpose of the meeting  
41 15 unless this chapter, the articles, or the bylaws require it.  
41 16 4. PREVIOUSLY SCHEDULED MEETINGS. If the day or date,  
41 17 time, and place of a board meeting have been provided in the  
41 18 articles or bylaws, or announced at a previous meeting of the  
41 19 board, no notice is required. Notice of an adjourned meeting  
41 20 need not be given other than by announcement at the meeting at  
41 21 which adjournment is taken.  
41 22 5. WAIVER OF NOTICE. A director may waive notice of a  
41 23 meeting of the board. A waiver of notice by a director  
41 24 entitled to notice is effective whether given before, at, or  
41 25 after the meeting, and whether given in writing, orally, or by  
41 26 attendance. Attendance by a director at a meeting is a waiver  
41 27 of notice of that meeting, except where the director objects  
41 28 at the beginning of the meeting to the transaction of business  
41 29 because the meeting is not lawfully called or convened and  
41 30 does not participate in the meeting after the objection.  
41 31 6. ABSENT DIRECTORS. If the articles or bylaws so  
41 32 provide, a director may give advance written consent or  
41 33 opposition to a proposal to be acted on at a board meeting.  
41 34 If the director is not present at the meeting, consent or  
41 35 opposition to a proposal does not constitute presence for  
42 1 purposes of determining the existence of a quorum, but consent  
42 2 or opposition must be counted as the vote of a director  
42 3 present at the meeting in favor of or against the proposal and  
42 4 must be entered in the minutes or other record of action at  
42 5 the meeting, if the proposal acted on at the meeting is  
42 6 substantially the same or has substantially the same effect as  
42 7 the proposal to which the director has consented or objected.  
42 8 Sec. 41. NEW SECTION. 501A.707 QUORUM.  
42 9 A majority, or a larger or smaller portion or number  
42 10 provided in the articles or bylaws, of the directors currently  
42 11 holding office is a quorum for the transaction of business.  
42 12 In the absence of a quorum, a majority of the directors  
42 13 present may adjourn a meeting from time to time until a quorum  
42 14 is present. If a quorum is present when a duly called or held  
42 15 meeting is convened, the directors present may continue to  
42 16 transact business until adjournment, even though the  
42 17 withdrawal of a number of directors originally present leaves

less than the proportion of number otherwise required for a quorum.

Sec. 42. NEW SECTION. 501A.708 ACT OF BOARD OF DIRECTORS.

1. Except as provided in subsection 2, the board shall only take action at a duly held meeting by the affirmative vote of any of the following:

a. A majority of directors present at the meeting.

b. A majority of the directors' voting power present at the meeting.

2. The articles or bylaws may require the affirmative vote of a larger vote than provided in subsection 1. If the articles or bylaws require a larger vote than is required by this chapter for a particular action, the articles or bylaws control.

Sec. 43. NEW SECTION. 501A.709 ACTION WITHOUT A MEETING.

1. METHOD. An action required or permitted to be taken at a board meeting may be taken by written action signed by all of the directors. If the articles or bylaws so provide, any action, other than an action requiring member approval, may be taken by written action signed by the number of directors that would be required to take the same action at a meeting of the board at which all directors were present.

2. EFFECTIVE TIME. The written action is effective when signed by the required number of directors, unless a different effective time is provided in the written action.

3. NOTICE AND LIABILITY. When written action is permitted to be taken by less than all directors, all directors must be notified immediately of its text and effective date. Failure to provide the notice does not invalidate the written action. A director who does not sign or consent to the written action has no liability for the action or actions taken by the written action.

Sec. 44. NEW SECTION. 501A.710 AUDIT COMMITTEE.

The board shall establish an audit committee to review the financial information and accounting report of the cooperative. The cooperative shall have the financial information audited for presentation to the members unless the cooperative's bylaws allow financial statements that are not audited and the financial statements clearly state that they are not audited and the difference between the financial statements and audited financial statements that are prepared according to generally accepted accounting procedures. The directors shall elect members to the audit committee. The audit committee shall ensure an independent review of the cooperative's finances and audit.

Sec. 45. NEW SECTION. 501A.711 COMMITTEES.

1. GENERALLY. A resolution approved by the affirmative vote of a majority of the board may establish committees having the authority of the board in the management of the business of the cooperative only to the extent provided in the resolution. Committees may include a special litigation committee consisting of one or more independent directors or other independent persons to consider legal rights or remedies of the cooperative and whether those rights and remedies should be pursued. Committees other than special litigation committees are subject at all times to the direction and control of the board.

2. MEMBERSHIP. Committee members must be natural persons. Unless the articles or bylaws provide for a different membership or manner of appointment, a committee consists of one or more persons, who need not be directors, appointed by affirmative vote of a majority of the directors present.

3. PROCEDURE. The procedures for meetings of the board apply to committees and members of committees to the same extent as those sections apply to the board and individual directors.

4. MINUTES. Minutes, if any, of committee meetings must be made available upon request to members of the committee and to any director.

5. STANDARD OF CONDUCT. The establishment of, delegation of authority to, and action by a committee does not alone constitute compliance by a director with the standard of conduct set forth in section 501A.712.

6. COMMITTEE MEMBERS CONSIDERED DIRECTORS. Committee members are considered to be directors for purposes of sections 501A.712, 501A.713, and 501A.715.

Sec. 46. NEW SECTION. 501A.712 STANDARD OF CONDUCT.

1. STANDARD AND LIABILITY. A director shall discharge the duties of the position of director in good faith, in a manner the director reasonably believes to be in the best interests

44 29 of the cooperative, and with the care an ordinarily prudent  
44 30 person in a like position would exercise under similar  
44 31 circumstances. A person who so performs those duties is not  
44 32 liable by reason of being or having been a director of the  
44 33 cooperative.

44 34 2. RELIANCE.

44 35 a. A director is entitled to rely on information,  
45 1 opinions, reports, or statements, including financial  
45 2 statements and other financial data, in each case prepared or  
45 3 presented by any of the following:

45 4 (1) One or more officers or employees of the cooperative  
45 5 who the director reasonably believes to be liable and  
45 6 competent in the matters presented.

45 7 (2) Counsel, public accountants, or other persons as to  
45 8 matters that the director reasonably believes are within the  
45 9 person's professional or expert competence.

45 10 (3) A committee of the board upon which the director does  
45 11 not serve, duly established by the board, as to matters within  
45 12 its designated authority, if the director reasonably believes  
45 13 the committee to merit confidence.

45 14 b. Paragraph "a" does not apply to a director who has  
45 15 knowledge concerning the matter in question that makes the  
45 16 reliance otherwise permitted by paragraph "a" unwarranted.

45 17 3. PRESUMPTION OF ASSENT AND DISSENT. A director who is  
45 18 present at a meeting of the board when an action is approved  
45 19 by the affirmative vote of a majority of the directors present  
45 20 is presumed to have assented to the action approved, unless  
45 21 any of the following applies:

45 22 a. The director objects at the beginning of the meeting to  
45 23 the transaction of business because the meeting is not  
45 24 lawfully called or convened and does not participate in the  
45 25 meeting after the objection, in which case the director is not  
45 26 considered to be present at the meeting for any purpose of  
45 27 this chapter.

45 28 b. The director votes against the action at the meeting.

45 29 c. The director is prohibited by a conflict of interest  
45 30 from voting on the action.

45 31 4. CONSIDERATIONS. In discharging the duties of the  
45 32 position of director, a director may, in considering the best  
45 33 interests of the cooperative, consider the interests of the  
45 34 cooperative's employees, customers, suppliers, and creditors,  
45 35 the economy of the state, and long-term as well as short-term  
46 1 interests of the cooperative and its patron members, including  
46 2 the possibility that these interests may be best served by the  
46 3 continued independence of the cooperative.

46 4 Sec. 47. NEW SECTION. 501A.713 DIRECTOR CONFLICTS OF  
46 5 INTEREST.

46 6 1. CONFLICT AND PROCEDURE WHEN CONFLICT ARISES.

46 7 a. A contract or other transaction between a cooperative  
46 8 and one or more of its directors, or between a cooperative and  
46 9 a business entity in or of which one or more of its directors  
46 10 are governors, directors, managers, officers, or legal  
46 11 representatives or have a material financial interest, is not  
46 12 void or voidable because the director or directors or the  
46 13 other business entities are parties or because the director or  
46 14 directors are present at the meeting of the members or the  
46 15 board or a committee at which the contract or transaction is  
46 16 authorized, approved, or ratified, if any of the following  
46 17 applies:

46 18 (1) The contract or transaction was, and the person  
46 19 asserting the validity of the contract or transaction sustains  
46 20 the burden of establishing that the contract or transaction  
46 21 was, fair and reasonable as to the cooperative at the time it  
46 22 was authorized, approved, or ratified and all of the following  
46 23 apply:

46 24 (a) The material facts as to the contract or transaction  
46 25 and as to the director's or directors' interest are disclosed  
46 26 or known to the members.

46 27 (b) The material facts as to the contract or transaction  
46 28 and as to the director's or directors' interest are fully  
46 29 disclosed or known to the board or a committee, and the board  
46 30 or committee authorizes, approves, or ratifies the contract or  
46 31 transaction in good faith by a majority of the board or  
46 32 committee, but the interested director or directors are not  
46 33 counted in determining the presence of a quorum and must not  
46 34 vote.

46 35 (2) The contract or transaction is a distribution,  
47 1 contract, or transaction that is made available to all members  
47 2 or patron members as part of the cooperative's business.

47 3 b. If a committee is elected or appointed to authorize,  
47 4 ratify, or approve a contract or transaction under this

47 5 section, the members of the committee must not have a conflict  
47 6 of interest and must be charged with representing the best  
47 7 interests of the cooperative.

47 8 2. MATERIAL FINANCIAL INTEREST. For purposes of this  
47 9 section, all of the following apply:

47 10 a. A resolution fixing the compensation of a director or  
47 11 fixing the compensation of another director as a director,  
47 12 officer, employee, or agent of the cooperative is not void or  
47 13 voidable or considered to be a contract or other transaction  
47 14 between a cooperative and one or more of its directors for  
47 15 purposes of this section even though the director receiving  
47 16 the compensation fixed by the resolution is present and voting  
47 17 at the meeting of the board or a committee at which the  
47 18 resolution is authorized, approved, or ratified or even though  
47 19 other directors voting upon the resolution are also receiving  
47 20 compensation from the cooperative.

47 21 b. A director has a material financial interest in each  
47 22 organization in which the director or a family member of the  
47 23 director has a material financial interest. A contract or  
47 24 other transaction between a cooperative and a family member of  
47 25 a director is considered to be a transaction between the  
47 26 cooperative and the director. A family member of a director  
47 27 includes the spouse, parents, children and spouses of  
47 28 children, brothers and sisters and spouses of brothers and  
47 29 sisters, and the brothers and sisters of the spouse of the  
47 30 director or any combination of them.

47 31 Sec. 48. NEW SECTION. 501A.714 LIMITATION OF DIRECTOR'S  
47 32 LIABILITY.

47 33 Except as otherwise provided in this chapter, a director,  
47 34 officer, employee, or member of the cooperative is not liable  
47 35 for the cooperative's debts or obligations, and a director,  
48 1 officer, member, or other volunteer is not personally liable  
48 2 in that capacity, for a claim based upon any action taken, or  
48 3 any failure to take action in the discharge of the person's  
48 4 duties, except for the amount of a financial benefit received  
48 5 by the person to which the person is not entitled, an  
48 6 intentional infliction of harm to the cooperative or its  
48 7 members or patrons, or an intentional violation of criminal  
48 8 law.

48 9 Sec. 49. NEW SECTION. 501A.715 INDEMNIFICATION.

48 10 1. DEFINITIONS. As used in this section, all of the  
48 11 following apply:

48 12 a. "Official capacity" means any of the following:

48 13 (1) With respect to a director, the position of director  
48 14 in a cooperative.

48 15 (2) With respect to a person other than a director, the  
48 16 elective or appointive office or position held by the person,  
48 17 member of a committee of the board, the employment  
48 18 relationship undertaken by an employee of the cooperative, or  
48 19 the scope of the services provided by members of the  
48 20 cooperative who provide services to the cooperative.

48 21 (3) With respect to a director, chief executive officer,  
48 22 member, or employee of the cooperative who, while a director,  
48 23 chief executive officer, or member or employee of the  
48 24 cooperative, is or was serving at the request of the  
48 25 cooperative or whose duties in that position involve or  
48 26 involved service as a governor, director, manager, officer,  
48 27 member, partner, trustee, employee, or agent of another  
48 28 organization or employee benefit plan, the position of that  
48 29 person as a governor, director, manager, officer, member,  
48 30 partner, trustee, employee, or agent, as the case may be, of  
48 31 the other organization or employee benefit plan.

48 32 b. "Predecessor entity" includes a domestic cooperative or  
48 33 foreign cooperative that was the predecessor of the  
48 34 cooperative referred to in this section in a merger or other  
48 35 transaction in which the predecessor entity's existence ceased  
49 1 upon consummation of the transaction.

49 2 c. "Proceeding" means a threatened, pending, or completed  
49 3 civil, criminal, administrative, arbitration, or investigative  
49 4 proceeding, including a proceeding by or in the right of the  
49 5 cooperative.

49 6 d. "Special legal counsel" means counsel who has not  
49 7 represented the cooperative or a related organization, or a  
49 8 director, manager, member of a committee of the board, or  
49 9 employee whose indemnification is in issue.

49 10 2. INDEMNIFICATION.

49 11 a. Subject to the provisions of subsection 4, a  
49 12 cooperative shall indemnify a person made or threatened to be  
49 13 made a party to a proceeding by reason of the former or  
49 14 present official capacity of the person against judgments,  
49 15 penalties, fines, including, without limitation, excise taxes

49 16 assessed against the person with respect to an employee  
49 17 benefit plan, settlements, and reasonable expenses, including  
49 18 attorney fees and disbursements incurred by the person in  
49 19 connection with the proceeding, if, with respect to the acts  
49 20 or omissions of the person complained of in the proceeding,  
49 21 any of the following applies:

49 22 (1) All of the following apply:

49 23 (a) The person has not been indemnified by another  
49 24 organization or employee benefit plan for the same judgments,  
49 25 penalties, fines, including, without limitation, excise taxes  
49 26 assessed against the person with respect to an employee  
49 27 benefit plan, settlements, and reasonable expenses, including  
49 28 attorney fees and disbursements incurred by the person in  
49 29 connection with the proceeding with respect to the same acts  
49 30 or omissions.

49 31 (b) The person acted in good faith.

49 32 (c) The person has not received an improper personal  
49 33 benefit.

49 34 (d) The person has not committed an act for which  
49 35 liability cannot be eliminated or limited under section  
50 1 501A.714.

50 2 (e) In the case of a criminal proceeding, the person had  
50 3 no reasonable cause to believe the conduct was unlawful.

50 4 (2) (a) In the case of an act or omission occurring in  
50 5 the official capacity described in subsection 1, paragraph  
50 6 "a", subparagraph (1) or (2), the person reasonably believed  
50 7 that the conduct was in the best interests of the cooperative.

50 8 (b) In the case of an act or omission occurring in the  
50 9 official capacity described in subsection 1, paragraph "a",  
50 10 subparagraph (3), the person reasonably believed that the  
50 11 conduct was not opposed to the best interests of the  
50 12 cooperative.

50 13 If the person's acts or omissions complained of in the  
50 14 proceeding relate to conduct as a director, officer, trustee,  
50 15 employee, or agent of an employee benefit plan, the conduct is  
50 16 not considered to be opposed to the best interests of the  
50 17 cooperative if the person reasonably believed that the conduct  
50 18 was in the best interests of the participants or beneficiaries  
50 19 of the employee benefit plan.

50 20 b. The termination of a proceeding by judgment, order,  
50 21 settlement, conviction, or upon a plea of nolo contendere or  
50 22 its equivalent does not, of itself, establish that the person  
50 23 did not meet the criteria set forth in this subsection.

50 24 3. ADVANCES. Subject to the provisions of subsection 4,  
50 25 if a person is made or threatened to be made a party to a  
50 26 proceeding, the person is entitled, upon written request to  
50 27 the cooperative, to payment or reimbursement by the  
50 28 cooperative of reasonable expenses, including attorney fees  
50 29 and disbursements incurred by the person in advance of the  
50 30 final disposition of the proceeding, as follows:

50 31 a. Upon receipt by the cooperative of a written  
50 32 affirmation by the person of a good-faith belief that the  
50 33 criteria for indemnification set forth in subsection 2 has  
50 34 been satisfied, and a written undertaking by the person to  
50 35 repay all amounts paid or reimbursed by the cooperative, if it  
51 1 is ultimately determined that the criteria for indemnification  
51 2 have not been satisfied.

51 3 b. After a determination that the facts then known to  
51 4 those making the determination would not preclude  
51 5 indemnification under this section.

51 6 The written undertaking required by this subsection is an  
51 7 unlimited general obligation of the person making it, but need  
51 8 not be secured and shall be accepted without reference to  
51 9 financial ability to make the repayment.

51 10 4. PROHIBITION OR LIMIT ON INDEMNIFICATION OR ADVANCES.  
51 11 The articles or bylaws either may prohibit indemnification or  
51 12 advances of expenses otherwise required by this section or may  
51 13 impose conditions on indemnification or advances of expenses  
51 14 in addition to the conditions contained in subsection 2 or 3,  
51 15 including, without limitation, monetary limits on  
51 16 indemnification or advances of expenses if the conditions  
51 17 apply equally to all persons or to all persons within a given  
51 18 class. A prohibition or limit on indemnification or advances  
51 19 of expenses shall not apply to or affect the right of a person  
51 20 to indemnification or advances of expenses with respect to any  
51 21 acts or omissions of the person occurring before the effective  
51 22 date of a provision in the articles or the date of adoption of  
51 23 a provision in the bylaws establishing the prohibition or  
51 24 limit on indemnification or advances of expenses.

51 25 5. REIMBURSEMENT TO WITNESSES. This section does not  
51 26 require, or limit the ability of, a cooperative to reimburse

51 27 expenses, including attorney fees and disbursements incurred  
51 28 by a person in connection with an appearance as a witness in a  
51 29 proceeding at a time when the person has not been made or  
51 30 threatened to be made a party to a proceeding.

51 31 6. DETERMINATION OF ELIGIBILITY.

51 32 a. All determinations whether indemnification of a person  
51 33 is required because the criteria set forth in subsection 2  
51 34 have been satisfied and whether a person is entitled to  
51 35 payment or reimbursement of expenses in advance of the final  
52 1 disposition of a proceeding as provided in subsection 3 must  
52 2 be made as follows:

52 3 (1) By the board by a majority of a quorum, if the  
52 4 directors who are, at the time, parties to the proceeding are  
52 5 not counted for determining either a majority or the presence  
52 6 of a quorum.

52 7 (2) If a quorum under subparagraph (1) cannot be obtained  
52 8 by a majority of a committee of the board consisting solely of  
52 9 two or more directors not at the time parties to the  
52 10 proceeding duly designated to act in the matter by a majority  
52 11 of the full board, including directors who are parties.

52 12 (3) If a determination is not made under subparagraph (1)  
52 13 or (2) by special legal counsel selected either by a majority  
52 14 of the board or a committee by vote under subparagraph (1) or  
52 15 (2) or if the requisite quorum of the full board cannot be  
52 16 obtained and the committee cannot be established by a majority  
52 17 of the full board, including directors who are parties.

52 18 (4) If a determination is not made under subparagraphs (1)  
52 19 through (3) by the affirmative vote of the members, but the  
52 20 membership interests held by parties to the proceeding must  
52 21 not be counted in determining the presence of a quorum, and  
52 22 are not considered to be present and entitled to vote on the  
52 23 determination.

52 24 (5) If an adverse determination is made under  
52 25 subparagraphs (1) through (4) or paragraph "b" or if a  
52 26 determination is not made under subparagraphs (1) through (4)  
52 27 or paragraph "b" within sixty days either after the later to  
52 28 occur of the termination of a proceeding or a written request  
52 29 for indemnification to the cooperative, or a written request  
52 30 for an advance of expenses, as the case may be, by a court in  
52 31 this state, which may be the same court in which the  
52 32 proceeding involving the person's liability took place upon  
52 33 application of the person and any notice the court requires.  
52 34 The person seeking indemnification or payment or reimbursement  
52 35 of expenses under this subparagraph has the burden of  
53 1 establishing that the person is entitled to indemnification or  
53 2 payment or reimbursement of expenses.

53 3 b. With respect to a person who is not, and was not at the  
53 4 time of the act or omission complained of in the proceedings,  
53 5 a director, chief executive officer, or person possessing,  
53 6 directly or indirectly, the power to direct or cause the  
53 7 direction of the management or policies of the cooperative,  
53 8 the determination whether indemnification of this person is  
53 9 required because the criteria set forth in subsection 2 have  
53 10 been satisfied and whether such person is entitled to payment  
53 11 or reimbursement of expenses in advance of the final  
53 12 disposition of a proceeding as provided in subsection 3, may  
53 13 be made by an annually appointed committee of the board,  
53 14 having at least one member who is a director. The committee  
53 15 shall report at least annually to the board concerning its  
53 16 actions.

53 17 7. INSURANCE. A cooperative may purchase and maintain  
53 18 insurance on behalf of a person in that person's official  
53 19 capacity against any liability asserted against and incurred  
53 20 by the person in or arising from that capacity, whether or not  
53 21 the cooperative would have been required to indemnify the  
53 22 person against the liability under the provisions of this  
53 23 section.

53 24 8. DISCLOSURE. A cooperative that indemnifies or advances  
53 25 expenses to a person in accordance with this section in  
53 26 connection with a proceeding by or on behalf of the  
53 27 cooperative shall report to the members in writing the amount  
53 28 of the indemnification or advance and to whom and on whose  
53 29 behalf it was paid not later than the next meeting of members.

53 30 9. INDEMNIFICATION OF OTHER PERSONS. Nothing in this  
53 31 section must be construed to limit the power of the  
53 32 cooperative to indemnify persons other than a director, chief  
53 33 executive officer, member, employee, or member of a committee  
53 34 of the board of the cooperative by contract or otherwise.

53 35 Sec. 50. NEW SECTION. 501A.716 OFFICERS.

54 1 1. REQUIRED OFFICERS.

54 2 a. The board shall elect all of the following:

54 3 (1) A chairperson.  
54 4 (2) One or more vice chairpersons.  
54 5 b. The board shall elect or appoint all of the following:  
54 6 (1) A records officer.  
54 7 (2) A financial officer.  
54 8 c. The officers, other than the chief executive officer,  
54 9 shall not have the authority to bind the cooperative except as  
54 10 authorized by the board.  
54 11 2. ADDITIONAL OFFICERS. The board may elect additional  
54 12 officers as the articles or bylaws authorize or require.  
54 13 3. RECORDS OFFICER AND FINANCIAL OFFICER MAY BE COMBINED.  
54 14 The offices of records officer and financial officer may be  
54 15 combined.  
54 16 4. OFFICERS THAT MUST BE MEMBERS. The chairperson and  
54 17 first vice chairperson shall be directors and members. The  
54 18 financial officer, records officer, and additional officers  
54 19 need not be directors or members.  
54 20 5. CHIEF EXECUTIVE OFFICER. The board may employ a chief  
54 21 executive officer to manage the day-to-day affairs and  
54 22 business of the cooperative, and if a chief executive officer  
54 23 is employed, the chief executive officer shall have the  
54 24 authority to implement the functions, duties, and obligations  
54 25 of the cooperative except as restricted by the board. The  
54 26 chief executive officer shall not exercise authority reserved  
54 27 to the board or the members under this chapter, the articles,  
54 28 or the bylaws.

#### 54 29 SUBCHAPTER 8

#### 54 30 MEMBERS

54 31 Sec. 51. NEW SECTION. 501A.801 MEMBERS.

54 32 1. REQUIREMENT. A cooperative shall have one or more  
54 33 patron members.  
54 34 2. GROUPING OF MEMBERS.  
54 35 a. A cooperative may group members and patron members in  
55 1 districts, units, or on another basis if and as authorized in  
55 2 its articles or bylaws. The articles or bylaws may include  
55 3 authorization for the board to determine the groupings.  
55 4 b. The board may implement the use of districts or units,  
55 5 including setting the time and place and prescribing the rules  
55 6 of conduct for holding meetings by districts or units to elect  
55 7 delegates to members' meetings.  
55 8 3. MEMBER VIOLATIONS.  
55 9 a. A member who knowingly, intentionally, or repeatedly  
55 10 violates a provision of this chapter, the articles or bylaws  
55 11 of the cooperative, or a member control agreement or marketing  
55 12 contract with the cooperative may be required by the board to  
55 13 surrender the member's voting power or the financial rights of  
55 14 membership interest of any class owned by the member, or both.  
55 15 b. The cooperative shall refund to the member for the  
55 16 surrendered financial rights of membership interest the lesser  
55 17 of the book value or market value of the financial right of  
55 18 the membership interest payable in not more than seven years  
55 19 from the date of surrender or the board may transfer all of  
55 20 any patron member's financial rights to a class of financial  
55 21 rights held by members who are not patron members, or to a  
55 22 certificate of interest, which carries liquidation rights on  
55 23 par with membership interests and is redeemed within seven  
55 24 years after the transfer as provided in the certificate.  
55 25 c. Membership interests required to be surrendered may be  
55 26 reissued or be retired and canceled by the board.  
55 27 4. INSPECTION OF COOPERATIVE RECORDS BY MEMBER.  
55 28 a. A member is entitled to inspect and copy, at the  
55 29 member's expense, during regular business hours at a  
55 30 reasonable location specified by the cooperative, any of the  
55 31 records described in section 501A.507 if the member meets the  
55 32 requirements of paragraph "b" and gives the cooperative  
55 33 written demand at least five business days before the date on  
55 34 which the member wishes to inspect and copy the records.  
55 35 Notwithstanding the provisions of this subsection or any  
56 1 provisions of section 501A.507, a member shall not have the  
56 2 right to inspect or copy any records of the cooperative  
56 3 relating to the amount of equity capital in the cooperative  
56 4 held by any person or any accounts receivable or other amounts  
56 5 due the cooperative from any person, or any personnel records  
56 6 or employment records of any employee.  
56 7 b. To be entitled to inspect and copy permitted records,  
56 8 the member shall meet all of the following requirements:  
56 9 (1) The member must have been a member for at least one  
56 10 year immediately preceding the demand to inspect or copy or  
56 11 must be a member holding at least five percent of all of the  
56 12 outstanding equity interests in the cooperative as of the date  
56 13 the demand is made.



56 14 (2) The demand is made in good faith and for a proper  
56 15 cooperative business purpose.

56 16 (3) The member describes with reasonable particularity the  
56 17 purpose and the records the member desires to inspect.

56 18 (4) The records are directly connected with the described  
56 19 purpose.

56 20 c. The right of inspection granted by this subsection  
56 21 shall not be abolished or limited by the articles, bylaws, or  
56 22 any actions of the board or the members.

56 23 d. This subsection does not affect any of the following:

56 24 (1) The right of a member to inspect records to the same  
56 25 extent as any other litigant if the member is in litigation  
56 26 with the cooperative.

56 27 (2) The power of a court to compel the production of the  
56 28 cooperative's records for examination.

56 29 e. Notwithstanding any other provision in this subsection,  
56 30 if the records to be inspected or copied are in active use or  
56 31 storage and, therefore, not available at the time otherwise  
56 32 provided for inspection or copying, the cooperative shall  
56 33 notify the member and shall set a date and hour within three  
56 34 business days of the date otherwise set in this subsection for  
56 35 the inspection or copying.

57 1 f. A member's agent or attorney has the same inspection  
57 2 and copying rights as the member. The right to copy records  
57 3 under this subsection includes, if reasonable, the right to  
57 4 receive copies made by photographic copying, xerographic  
57 5 copying, or other means. The cooperative may impose a  
57 6 reasonable charge, covering the costs of labor and material,  
57 7 for copies of any documents provided to the member. The  
57 8 charge shall not exceed the estimated cost of production and  
57 9 reproduction of the records.

57 10 g. If a cooperative refuses to allow a member, or the  
57 11 member's agent or attorney, who complies with this subsection  
57 12 to inspect or copy any records that the member is entitled to  
57 13 inspect or copy within a prescribed time limit or, if none,  
57 14 within a reasonable time, the district court of the county in  
57 15 this state where the cooperative's principal office is located  
57 16 or, if it has no principal office in this state, the district  
57 17 court of the county in which its registered office is located  
57 18 may, on application of the member, summarily order the  
57 19 inspection or copying of the records demanded at the  
57 20 cooperative's expense.

57 21 h. If a court orders inspection or copying of the records  
57 22 demanded, unless the cooperative proves that it refused  
57 23 inspection or copying in good faith because it had a  
57 24 reasonable basis for doubt about the right of the member or  
57 25 the member's agent or attorney to inspect or copy the records  
57 26 demanded, all of the following shall apply:

57 27 (1) The court may order the losing party to pay the  
57 28 prevailing party's reasonable costs, including reasonable  
57 29 attorney fees.

57 30 (2) The court may order the losing party to pay the  
57 31 prevailing party for any damages the prevailing party shall  
57 32 have incurred by reason of the subject matter of the  
57 33 litigation.

57 34 (3) If inspection or copying is ordered under this  
57 35 paragraph "h", the court may order the cooperative to pay the  
58 1 member's inspection and copying expenses.

58 2 (4) The court may grant either party any other remedy  
58 3 provided by law.

58 4 (5) The court may impose reasonable restrictions on the  
58 5 use or distribution of the records by the demanding member.

58 6 Sec. 52. NEW SECTION. 501A.802 MEMBER NOT LIABLE FOR  
58 7 COOPERATIVE DEBTS.

58 8 A member is not, merely on the account of that status,  
58 9 personally liable for the acts, debts, liabilities, or  
58 10 obligations of a cooperative. A member is liable for any  
58 11 unpaid subscription for the membership interest, unpaid  
58 12 membership fees, or a debt for which the member has separately  
58 13 contracted with the cooperative.

58 14 Sec. 53. NEW SECTION. 501A.803 REGULAR MEMBERS'  
58 15 MEETINGS.

58 16 1. ANNUAL MEETING. Regular members' meetings shall be  
58 17 held annually at a time determined by the board, unless  
58 18 otherwise provided for in the bylaws.

58 19 2. LOCATION. The regular members' meeting shall be held  
58 20 at the principal place of business of the cooperative or at  
58 21 another conveniently located place as determined by the bylaws  
58 22 or the board.

58 23 3. BUSINESS AND FISCAL REPORTS. The officers shall submit  
58 24 reports to the members at the regular members' meeting

58 25 covering the business of the cooperative for the previous  
58 26 fiscal year that show the condition of the cooperative at the  
58 27 close of the fiscal year.

58 28 4. ELECTION OF DIRECTORS. All directors shall be elected  
58 29 at the regular members' meeting for the terms of office  
58 30 prescribed in the bylaws, except for directors elected at  
58 31 district or unit meetings.

58 32 5. NOTICE.

58 33 a. The cooperative shall give notice of regular members'  
58 34 meetings by mailing the regular members' meeting notice to  
58 35 each member at the members' last known post office address or  
59 1 by other notification approved by the board and agreed to by  
59 2 the members. The regular members' meeting notice shall be  
59 3 published or otherwise given by approved method at least two  
59 4 weeks before the date of the meeting or mailed at least  
59 5 fifteen days before the date of the meeting.

59 6 b. The notice shall contain a summary of any bylaw  
59 7 amendments adopted by the board since the last annual meeting.

59 8 6. WAIVER AND OBJECTIONS. A member may waive notice of a  
59 9 meeting of members. A waiver of notice by a member entitled  
59 10 to notice is effective whether given before, at, or after the  
59 11 meeting, and whether given in writing, orally, or by  
59 12 attendance. Attendance by a member at a meeting is a waiver  
59 13 of notice of that meeting, except where the member objects at  
59 14 the beginning of the meeting to the transaction of business  
59 15 because the meeting is not lawfully called or convened, or  
59 16 objects before a vote on an item of business because the item  
59 17 cannot lawfully be considered at that meeting and does not  
59 18 participate in the consideration of the item at that meeting.

59 19 Sec. 54. NEW SECTION. 501A.804 SPECIAL MEMBERS'  
59 20 MEETINGS.

59 21 1. CALLING MEETING. Special members' meetings of the  
59 22 members may be called by any of the following:

59 23 a. A majority vote of the board.

59 24 b. The written petition of at least twenty percent of the  
59 25 patron members and, if authorized by the articles or bylaws,  
59 26 twenty percent of the nonpatron members, twenty percent of all  
59 27 members, or members representing twenty percent of the  
59 28 membership interests collectively submitted to the  
59 29 chairperson.

59 30 2. NOTICE. The cooperative shall give notice of a special  
59 31 members' meeting by mailing the special members' meeting  
59 32 notice to each member personally at the person's last known  
59 33 post office address or an alternative method approved by the  
59 34 board and agreed to by the member individually or the members  
59 35 generally. For a member that is an entity, notice mailed or  
60 1 delivered by an alternative method shall be to an officer of  
60 2 the entity. The special members' meeting notice shall state  
60 3 the time, place, and purpose of the special members' meeting.  
60 4 The special members' meeting notice shall be issued within ten  
60 5 days from and after the date of the presentation of a members'  
60 6 petition, and the special members' meeting shall be held  
60 7 within thirty days after the date of the presentation of the  
60 8 members' petition.

60 9 3. WAIVER AND OBJECTIONS. A member may waive notice of a  
60 10 meeting of members. A waiver of notice by a member entitled  
60 11 to notice is effective whether given before, at, or after the  
60 12 meeting, and whether given in writing, orally, or by  
60 13 attendance. Attendance by a member at a meeting is a waiver  
60 14 of notice of that meeting, except where the member objects at  
60 15 the beginning of the meeting to the transaction of business  
60 16 because the meeting is not lawfully called or convened, or  
60 17 objects before a vote on an item of business because the item  
60 18 cannot lawfully be considered at that meeting and does not  
60 19 participate in the consideration of the item at that meeting.

60 20 Sec. 55. NEW SECTION. 501A.805 CERTIFICATION OF MEETING  
60 21 NOTICE.

60 22 1. CERTIFICATE OF MAILING. After mailing special or  
60 23 regular members' meeting notices or otherwise delivering the  
60 24 notices, the cooperative shall execute a certificate  
60 25 containing the date of mailing or delivery of the notice and a  
60 26 statement that the special or regular members' meeting notices  
60 27 were mailed or delivered as prescribed by law.

60 28 2. MATTER OF RECORD. The certificate shall be made a part  
60 29 of the record of the meeting.

60 30 3. FAILURE TO RECEIVE MEETING NOTICE. Failure of a member  
60 31 to receive a special or regular members' meeting notice does  
60 32 not invalidate an action taken by the members at a members'  
60 33 meeting.

60 34 Sec. 56. NEW SECTION. 501A.806 QUORUM.

60 35 1. QUORUM. The quorum for a members' meeting to transact

61 1 business shall be by any of the following:  
61 2 a. Ten percent of the total number of members of a  
61 3 cooperative with five hundred or fewer members.  
61 4 b. Fifty members for cooperatives with more than five  
61 5 hundred members.

61 6 2. QUORUM FOR VOTING BY MAIL. In determining a quorum at  
61 7 a meeting, on a question submitted to a vote by mail or an  
61 8 alternative method, members present in person or represented  
61 9 by mail vote or the alternative voting method shall be  
61 10 counted. The attendance of a sufficient number of members to  
61 11 constitute a quorum shall be established by a registration of  
61 12 the members of the cooperative present at the meeting. The  
61 13 registration shall be verified by the chairperson or the  
61 14 records officer of the cooperative and shall be reported in  
61 15 the minutes of the meeting.

61 16 3. MEETING ACTION INVALID WITHOUT QUORUM. An action by a  
61 17 cooperative is not valid or legal in the absence of a quorum  
61 18 at the meeting at which the action was taken.

61 19 Sec. 57. NEW SECTION. 501A.807 REMOTE COMMUNICATIONS FOR  
61 20 MEMBERS' MEETINGS.

61 21 1. CONSTRUCTION AND APPLICATION. This section shall be  
61 22 construed and applied to all of the following:  
61 23 a. To facilitate remote communication consistent with  
61 24 other applicable law.  
61 25 b. To be consistent with reasonable practices concerning  
61 26 remote communication and with the continued expansion of those  
61 27 practices.

61 28 2. MEMBERS' MEETINGS HELD SOLELY BY MEANS OF REMOTE  
61 29 COMMUNICATION. To the extent authorized in the articles, a  
61 30 member control agreement, or the bylaws and determined by the  
61 31 board, a regular or special meeting of members may be held  
61 32 solely by any combination of means of remote communication  
61 33 through which the members may participate in the meeting, if  
61 34 notice of the meeting is given to every owner of membership  
61 35 interests entitled to vote as would be required by this  
62 1 chapter for a meeting, and if the membership interests held by  
62 2 the members participating in the meeting would be sufficient  
62 3 to constitute a quorum at a meeting. Participation by a  
62 4 member by that means constitutes presence at the meeting in  
62 5 person or by proxy if all the other requirements of this  
62 6 chapter for the meeting are met.

62 7 3. PARTICIPATION IN MEMBERS' MEETINGS BY MEANS OF REMOTE  
62 8 COMMUNICATION. To the extent authorized in the articles or  
62 9 the bylaws and determined by the board, a member not  
62 10 physically present in person or by proxy at a regular or  
62 11 special meeting of members may, by means of remote  
62 12 communication, participate in a meeting of members held at a  
62 13 designated place. Participation by a member by that means  
62 14 constitutes presence at the meeting in person or by proxy if  
62 15 all the other requirements of this chapter for the meeting are  
62 16 met.

62 17 4. REQUIREMENTS FOR MEETINGS HELD SOLELY BY MEANS OF  
62 18 REMOTE COMMUNICATION AND FOR PARTICIPATION BY MEANS OF REMOTE  
62 19 COMMUNICATION. In any meeting of members held solely by means  
62 20 of remote communication under subsection 2 or in any meeting  
62 21 of members held at a designated place in which one or more  
62 22 members participate by means of remote communication under  
62 23 subsection 3, all of the following shall apply:  
62 24 a. The cooperative shall implement reasonable measures to  
62 25 verify that each person deemed present and entitled to vote at  
62 26 the meeting by means of remote communication is a member.  
62 27 b. The cooperative shall implement reasonable measures to  
62 28 provide each member participating by means of remote  
62 29 communication with a reasonable opportunity to participate in  
62 30 the meeting, including an opportunity to do all of the  
62 31 following:  
62 32 (1) Read or hear the proceedings of the meeting  
62 33 substantially concurrently with those proceedings.  
62 34 (2) If allowed by the procedures governing the meeting,  
62 35 have the member's remarks heard or read by other participants  
63 1 in the meeting substantially concurrently with the making of  
63 2 those remarks.  
63 3 (3) If otherwise entitled, vote on matters submitted to  
63 4 the members.

63 5 5. NOTICE TO MEMBERS.  
63 6 a. Any notice to members given by the cooperative under  
63 7 any provision of this chapter, the articles, or the bylaws by  
63 8 a form of electronic communication consented to by the member  
63 9 to whom the notice is given is effective when given. The  
63 10 notice is deemed given upon any of the following:  
63 11 (1) If by facsimile communication, when directed to a

63 12 telephone number at which the member has consented to receive  
63 13 notice.

63 14 (2) If by electronic mail, when directed to an electronic  
63 15 mail address at which the member has consented to receive  
63 16 notice.

63 17 (3) If by a posting on an electronic network on which the  
63 18 member has consented to receive notice, together with separate  
63 19 notice to the member of the specific posting, upon the later  
63 20 of any of the following:

63 21 (a) The posting.

63 22 (b) The giving of the separate notice.

63 23 (4) If by any other form of electronic communication by  
63 24 which the member has consented to receive notice, when  
63 25 directed to the member.

63 26 b. An affidavit of the secretary, other authorized  
63 27 officer, or authorized agent of the cooperative that the  
63 28 notice has been given by a form of electronic communication  
63 29 is, in the absence of fraud, prima facie evidence of the facts  
63 30 stated in the affidavit.

63 31 c. Consent by a member to notice given by electronic  
63 32 communication may be given in writing or by authenticated  
63 33 electronic communication. The cooperative is entitled to rely  
63 34 on any consent so given until revoked by the member, provided  
63 35 that no revocation affects the validity of any notice given  
64 1 before receipt by the cooperative of revocation of the  
64 2 consent.

64 3 6. REVOCATION. Any ballot, vote, authorization, or  
64 4 consent submitted by electronic communication under this  
64 5 chapter may be revoked by the member submitting the ballot,  
64 6 vote, authorization, or consent so long as the revocation is  
64 7 received by a director or the chief executive officer of the  
64 8 cooperative at or before the meeting or before an action  
64 9 without a meeting is effective.

64 10 7. WAIVER. Waiver of notice by a member of a meeting by  
64 11 means of authenticated electronic communication may be given  
64 12 in the manner provided for the regular or special meeting.  
64 13 Participation in a meeting by means of remote communication  
64 14 described in subsections 2 and 3 is a waiver of notice of that  
64 15 meeting, except where the member objects at the beginning of  
64 16 the meeting to the transaction of business because the meeting  
64 17 is not lawfully called or convened, or objects before a vote  
64 18 on an item of business because the item cannot lawfully be  
64 19 considered at the meeting and does not participate in the  
64 20 consideration of the item at that meeting.

64 21 Sec. 58. NEW SECTION. 501A.808 ACT OF MEMBERS.

64 22 1. ACTION BY AFFIRMATIVE VOTE OF MEMBERS.

64 23 a. The members shall take action by the affirmative vote  
64 24 of the members of the greater of any of the following:

64 25 (1) A majority of the voting power of the membership  
64 26 interests present and entitled to vote on that item of  
64 27 business.

64 28 (2) A majority of the voting power that would constitute a  
64 29 quorum for the transaction of business at the meeting, except  
64 30 where this chapter, the articles or bylaws, or a member  
64 31 control agreement require a larger proportion.

64 32 b. If the articles, bylaws, or a member control agreement  
64 33 require a larger proportion than is required by this chapter  
64 34 for a particular action, the articles, bylaws, or the member  
64 35 control agreement shall have control over the provisions of  
65 1 this chapter.

65 2 2. CLASS OR SERIES OF MEMBERSHIP INTERESTS. In any case  
65 3 where a class or series of membership interests is entitled by  
65 4 this chapter, the articles, bylaws, a member control  
65 5 agreement, or the terms of the membership interests to vote as  
65 6 a class or series, the matter being voted upon must also  
65 7 receive the affirmative vote of the owners of the same  
65 8 proportion of the membership interests present of that class  
65 9 or series; or of the total outstanding membership interests of  
65 10 that class or series, as the proportion required under  
65 11 subsection 1, unless the articles, bylaws, or the member  
65 12 control agreement require a larger proportion. Unless  
65 13 otherwise stated in the articles, bylaws, or a member control  
65 14 agreement, in the case of voting as a class or series, the  
65 15 minimum percentage of the total voting power of membership  
65 16 interests of the class or series that must be present is equal  
65 17 to the minimum percentage of all membership interests entitled  
65 18 to vote required to be present under section 501A.707.

65 19 3. GREATER QUORUM OR VOTING REQUIREMENTS.

65 20 a. The articles or bylaws adopted by the members may  
65 21 provide for a greater quorum or voting requirement for members  
65 22 or voting groups than is provided for by this chapter.

65 23 b. An amendment to the articles or bylaws that adds,  
65 24 changes, or deletes a greater quorum or voting requirement  
65 25 shall meet the same quorum requirement and be adopted by the  
65 26 same vote and voting groups required to take action under the  
65 27 quorum and voting requirements then in effect or proposed to  
65 28 be adopted, whichever is greater.

65 29 Sec. 59. NEW SECTION. 501A.809 ACTION WITHOUT A MEETING.

65 30 1. METHOD. An action required or permitted to be taken at  
65 31 a meeting of the members may be taken by written action  
65 32 signed, or consented to by authenticated electronic  
65 33 communication, by all of the members. If the articles,  
65 34 bylaws, or a member control agreement so provide, any action  
65 35 may be taken by written action signed, or consented to by  
66 1 authenticated electronic communication, by the members who own  
66 2 voting power equal to the voting power that would be required  
66 3 to take the same action at a meeting of the members at which  
66 4 all members were present.

66 5 2. EFFECTIVE TIME. The written action is effective when  
66 6 signed or consented to by authenticated electronic  
66 7 communication by the required members, unless a different  
66 8 effective time is provided in the written action.

66 9 3. NOTICE AND LIABILITY. When written action is permitted  
66 10 to be taken by less than all members, all members must be  
66 11 notified immediately of its text and effective date. Failure  
66 12 to provide the notice does not invalidate the written action.  
66 13 A member who does not sign or consent to the written action  
66 14 has no liability for the action or actions taken by the  
66 15 written action.

66 16 Sec. 60. NEW SECTION. 501A.810 MEMBER VOTING RIGHTS.

66 17 1. MEMBER HAS ONE VOTE OR PATRONAGE VOTING. A patron  
66 18 member of a cooperative is only entitled to one vote on an  
66 19 issue to be voted upon by members holding patron membership  
66 20 interests. However, if authorized in the cooperative's  
66 21 articles or bylaws, a patron member may be entitled to  
66 22 additional votes based on patronage criteria in section  
66 23 501A.811. If nonpatron members are authorized by the patron  
66 24 members and granted voting rights on any matter voted on by  
66 25 the members of the cooperative, the entire patron members'  
66 26 voting power shall be voted collectively based upon the vote  
66 27 of the majority of patron members voting on the issue and the  
66 28 collective vote of the patron members shall be a majority of  
66 29 the vote cast unless otherwise provided in the bylaws. The  
66 30 bylaws shall not reduce the collective patron member vote to  
66 31 less than fifteen percent of the total vote on matters of the  
66 32 cooperative. A nonpatron member has the voting rights in  
66 33 accordance to the nonpatron member's nonpatron membership  
66 34 interests as granted in the bylaws, subject to the provisions  
66 35 of this chapter.

67 1 2. RIGHT TO VOTE AT MEETING. A member or delegate may  
67 2 exercise voting rights on any matter that is before the  
67 3 members as prescribed in the articles or bylaws at a members'  
67 4 meeting from the time the member or delegate arrives at the  
67 5 members' meeting, unless the articles or bylaws specify an  
67 6 earlier and specific time for closing the right to vote.

67 7 3. VOTING METHOD. A member's vote at a members' meeting  
67 8 shall be in person or by mail if a mail vote is authorized by  
67 9 the board or by alternative method if authorized by the board  
67 10 and not by proxy, except as provided in subsection 4.

67 11 4. MEMBERS REPRESENTED BY DELEGATES.

67 12 a. The provisions of this subsection apply to members  
67 13 represented by delegates.

67 14 b. A cooperative may provide in the articles or bylaws  
67 15 that units or districts of members are entitled to be  
67 16 represented at members' meetings by delegates chosen by the  
67 17 members of the unit or district. The delegates may vote on  
67 18 matters at the members' meeting in the same manner as a  
67 19 member. The delegates may only exercise the voting rights on  
67 20 a basis and with the number of votes as prescribed in the  
67 21 articles or bylaws.

67 22 c. If the approval of a certain portion of the members is  
67 23 required for adoption of amendments, a dissolution, a merger,  
67 24 a consolidation, or a sale of assets, the votes of delegates  
67 25 shall be counted as votes by the members represented by the  
67 26 delegate.

67 27 d. Patron members may be represented by the proxy of other  
67 28 patron members.

67 29 e. Nonpatron members may be represented by proxy if  
67 30 authorized in the bylaws.

67 31 5. ABSENTEE BALLOTS.

67 32 a. The provisions of this subsection apply to absentee  
67 33 ballots.

67 34 b. A member who is or will be absent from a members'  
67 35 meeting may vote by mail or by an approved alternative method  
68 1 on the ballot prescribed in this subsection on any motion,  
68 2 resolution, or amendment that the board submits for vote by  
68 3 mail or alternative method to the members.  
68 4 c. The ballot shall be in the form prescribed by the board  
68 5 and contain all of the following:  
68 6 (1) The exact text of the proposed motion, resolution, or  
68 7 amendment to be acted on at the meeting.  
68 8 (2) The text of the motion, resolution, or amendment for  
68 9 which the member may indicate an affirmative or negative vote.  
68 10 d. The member shall express a choice by marking an  
68 11 appropriate choice on the ballot and mail, deliver, or  
68 12 otherwise submit the ballot to the cooperative in a plain,  
68 13 sealed envelope inside another envelope bearing the member's  
68 14 name or by an alternative method approved by the board.  
68 15 e. A properly executed ballot shall be accepted by the  
68 16 board and counted as the vote of the absent member at the  
68 17 meeting.  
68 18 Sec. 61. NEW SECTION. 501A.811 PATRON MEMBER VOTING  
68 19 BASED ON PATRONAGE.  
68 20 1. PATRON MEMBERS TO HAVE AN ADDITIONAL VOTE. A  
68 21 cooperative may authorize by the articles or the bylaws for  
68 22 patron members to have an additional vote for all of the  
68 23 following:  
68 24 a. A stipulated amount of business transacted between the  
68 25 patron member and cooperative.  
68 26 b. A stipulated number of patron members in a member  
68 27 cooperative.  
68 28 c. A certain stipulated amount of equity allocated to or  
68 29 held by a patron member in the cooperative's central  
68 30 organization.  
68 31 d. A combination of methods provided in this subsection.  
68 32 2. DELEGATES ELECTED BY PATRONS TO HAVE AN ADDITIONAL  
68 33 VOTE. A cooperative that is organized into units or districts  
68 34 of patron members may, by the articles or the bylaws,  
68 35 authorize the delegates elected by its patron members to have  
69 1 an additional vote for any of the following:  
69 2 a. A stipulated amount of business transacted between the  
69 3 patron members in the units or districts and the cooperative.  
69 4 b. A certain stipulated amount of equity allocated to or  
69 5 held by the patron members of the units or districts of the  
69 6 cooperative.  
69 7 c. A combination of methods in this subsection.  
69 8 Sec. 62. NEW SECTION. 501A.812 VOTING RIGHTS.  
69 9 1. DETERMINATION. The board may fix a date not more than  
69 10 sixty days, or a shorter time period provided in the articles  
69 11 or bylaws, before the date of a meeting of members as the date  
69 12 for the determination of the owners of membership interests  
69 13 entitled to notice of and entitled to vote at the meeting.  
69 14 When a date is so fixed, only members on that date are  
69 15 entitled to notice of and permitted to vote at that meeting of  
69 16 members.  
69 17 2. NONMEMBERS. The articles or bylaws may give or  
69 18 prescribe the manner of giving a creditor, security holder, or  
69 19 other person a right to vote on patron membership interests  
69 20 under this section.  
69 21 3. JOINTLY OWNED MEMBERSHIP INTERESTS. Membership  
69 22 interests owned by two or more members may be voted by any one  
69 23 of them unless the cooperative receives written notice from  
69 24 any one of them denying the authority of that person to vote  
69 25 those membership interests.  
69 26 4. MANNER OF VOTING AND PRESUMPTION. Except as provided  
69 27 in subsection 3, an owner of a nonpatron membership interest  
69 28 or a patron membership interest with more than one vote that  
69 29 is entitled to vote may vote any portion of the membership  
69 30 interest in any way the member chooses. If a member votes  
69 31 without designating the proportion voted in a particular way,  
69 32 the member is considered to have voted all of the membership  
69 33 interest in that way.  
69 34 Sec. 63. NEW SECTION. 501A.813 VOTING BY ORGANIZATIONS  
69 35 AND LEGAL REPRESENTATIVES.  
70 1 1. MEMBERSHIP INTERESTS HELD BY ANOTHER ORGANIZATION.  
70 2 Membership interests of a cooperative reflected in the  
70 3 required records as being owned by another domestic business  
70 4 entity or foreign business entity may be voted by the  
70 5 chairperson, chief executive officer, or another legal  
70 6 representative of that organization.  
70 7 2. MEMBERSHIP INTERESTS HELD BY SUBSIDIARY. Except as  
70 8 provided in subsection 3, membership interests of a  
70 9 cooperative reflected in the required records as being owned

70 10 by a subsidiary are not entitled to be voted on any matter.

70 11 3. MEMBERSHIP INTERESTS CONTROLLED IN A FIDUCIARY  
70 12 CAPACITY. Membership interests of a cooperative in the name  
70 13 of, or under the control of, the cooperative or a subsidiary  
70 14 in a fiduciary capacity are not entitled to be voted on any  
70 15 matter, except to the extent that the settler or beneficiary  
70 16 possesses and exercises a right to vote or gives the  
70 17 cooperative or, with respect to membership interests in the  
70 18 name of or under control of a subsidiary, the subsidiary,  
70 19 binding instructions on how to vote the membership interests.

70 20 4. VOTING BY CERTAIN REPRESENTATIVES. Subject to section  
70 21 501A.810, membership interests under the control of a person  
70 22 in a capacity as a personal representative, an administrator,  
70 23 executor, guardian, conservator, or the like may be voted by  
70 24 the person, either in person or by proxy, without reflecting  
70 25 in the required records those membership interests in the name  
70 26 of the person.

70 27 5. VOTING BY TRUSTEES IN BANKRUPTCY OR RECEIVER.  
70 28 Membership interests reflected in the required records in the  
70 29 name of a trustee in bankruptcy or a receiver may be voted by  
70 30 the trustee or receiver either in person or by proxy.  
70 31 Membership interests under the control of a trustee in  
70 32 bankruptcy or a receiver may be voted by the trustee or  
70 33 receiver without reflecting in the required records the name  
70 34 of the trustee or receiver, if authority to do so is contained  
70 35 in an appropriate order of the court by which the trustee or  
71 1 receiver was appointed. The right to vote of trustees in  
71 2 bankruptcy and receivers is subject to section 501A.810.

71 3 6. MEMBERSHIP INTERESTS HELD BY OTHER ORGANIZATIONS.  
71 4 Membership interests reflected in the required records in the  
71 5 name of a business entity not described in subsections 1  
71 6 through 5 may be voted either in person or by proxy by the  
71 7 legal representative of that business entity.

71 8 7. GRANT OF SECURITY INTEREST. The grant of a security  
71 9 interest in a membership interest does not entitle the holders  
71 10 of the security interest to vote.

71 11 Sec. 64. NEW SECTION. 501A.814 PROXIES.

71 12 1. AUTHORIZATION.

71 13 a. A patron member may only grant a proxy to vote to  
71 14 another patron member.

71 15 b. A member may cast or authorize the casting of a vote by  
71 16 any of the following:

71 17 (1) Filing a written appointment of a proxy with the board  
71 18 at or before the meeting at which the appointment is to be  
71 19 effective.

71 20 (2) Telephonic transmission or authenticated electronic  
71 21 communication, whether or not accompanied by written  
71 22 instructions of the member, of an appointment of a proxy with  
71 23 the cooperative or the cooperative's duly authorized agent at  
71 24 or before the meeting at which the appointment is to be  
71 25 effective.

71 26 c. The telephonic transmission or authenticated electronic  
71 27 communication must set forth or be submitted with information  
71 28 from which it can be determined that the appointment was  
71 29 authorized by the member. If it is reasonably concluded that  
71 30 the telephonic transmission or authenticated electronic  
71 31 communication is valid, the inspectors of election or, if  
71 32 there are not inspectors, the other persons making that  
71 33 determination shall specify the information upon which they  
71 34 relied to make that determination. A proxy so appointed may  
71 35 vote on behalf of the member, or otherwise participate, in a  
72 1 meeting by remote communication under section 501A.807, to the  
72 2 extent the member appointing the proxy would have been  
72 3 entitled to participate by remote communication if the member  
72 4 did not appoint the proxy.

72 5 d. A copy, facsimile, telecommunication, or other  
72 6 reproduction of the original writing or transmission may be  
72 7 substituted or used in lieu of the original writing or  
72 8 transmission for any purpose for which the original  
72 9 transmission could be used, if the copy, facsimile,  
72 10 telecommunication, or other reproduction is a complete and  
72 11 legible reproduction of the entire original writing or  
72 12 transmission.

72 13 e. An appointment of a proxy for membership interests  
72 14 owned jointly by two or more members is valid if signed or  
72 15 consented to by authenticated electronic communication, by any  
72 16 one of them, unless the cooperative receives from any one of  
72 17 those members written notice or an authenticated electronic  
72 18 communication either denying the authority of that person to  
72 19 appoint a proxy or appointing a different proxy.

72 20 2. DURATION. The appointment of a proxy is valid for

72 21 eleven months unless a longer period is expressly provided in  
72 22 the appointment. An appointment is not irrevocable unless the  
72 23 appointment is coupled with an interest in the membership  
72 24 interests or the cooperative.

72 25 3. TERMINATION. An appointment may be terminated at will  
72 26 unless the appointment is coupled with an interest, in which  
72 27 case the appointment shall not be terminated except in  
72 28 accordance with the terms of an agreement, if any, between the  
72 29 parties to the appointment. Termination may be made by filing  
72 30 written notice of the termination of the appointment with a  
72 31 manager of the cooperative or by filing a new written  
72 32 appointment of a proxy with a manager of the cooperative.  
72 33 Termination in either manner revokes all prior proxy  
72 34 appointments and is effective when filed with a manager of the  
72 35 cooperative.

73 1 4. REVOCATION BY DEATH OR INCAPACITY. The death or  
73 2 incapacity of a person appointing a proxy does not revoke the  
73 3 authority of the proxy, unless written notice of the death or  
73 4 incapacity is received by a manager of the cooperative before  
73 5 the proxy exercises the authority under that appointment.

73 6 5. MULTIPLE PROXIES. Unless the appointment specifically  
73 7 provides otherwise, if two or more persons are appointed as  
73 8 proxies for a member, all of the following apply:

73 9 a. Any one of them may vote the membership interests on  
73 10 each item of business in accordance with specific instructions  
73 11 contained in the appointment.

73 12 b. If no specific instructions are contained in the  
73 13 appointment with respect to voting the membership interests on  
73 14 a particular item of business, the membership interests must  
73 15 be voted as a majority of the proxies determine. If the  
73 16 proxies are equally divided, the membership interests must not  
73 17 be voted.

73 18 6. VOTE OF PROXY ACCEPTED AND LIABILITY. Unless the  
73 19 appointment of a proxy contains a restriction, limitation, or  
73 20 specific reservation of authority, the cooperative may accept  
73 21 a vote or action taken by a person named in the appointment.  
73 22 The vote of a proxy is final, binding, and not subject to  
73 23 challenge, but the proxy is liable to the member for damages  
73 24 resulting from a failure to exercise the proxy or from an  
73 25 exercise of the proxy in violation of the authority granted in  
73 26 the appointment.

73 27 7. LIMITED AUTHORITY. If a proxy is given authority by a  
73 28 member to vote on less than all items of business considered  
73 29 at a meeting of members, the member is considered to be  
73 30 present and entitled to vote by the proxy only with respect to  
73 31 those items of business for which the proxy has authority to  
73 32 vote. A proxy who is given authority by a member who abstains  
73 33 with respect to an item of business is considered to have  
73 34 authority to vote on the item of business for purposes of this  
73 35 subsection.

74 1 Sec. 65. NEW SECTION. 501A.815 SALE OF PROPERTY AND  
74 2 ASSETS.

74 3 1. MEMBER APPROVAL NOT REQUIRED. A cooperative may, by  
74 4 affirmative vote of a majority of the board present, upon  
74 5 those terms and conditions and for those considerations, which  
74 6 may be money, securities, or other instruments for the payment  
74 7 of money or other property, as the board considers expedient  
74 8 and without member approval, do any of the following:

74 9 a. Sell, lease, transfer, or otherwise dispose of all or  
74 10 substantially all of its property and assets in the usual and  
74 11 regular course of its business.

74 12 b. Grant a security interest in all or substantially all  
74 13 of its property and assets whether or not in the usual and  
74 14 regular course of its business.

74 15 c. Transfer any or all of its property to a business  
74 16 entity all the ownership interests of which are owned by the  
74 17 cooperative.

74 18 d. For purposes of debt financing, transfer any or all of  
74 19 its property to a special purpose entity owned or controlled  
74 20 by the cooperative for an asset securitization.

74 21 2. MEMBER APPROVAL REQUIRED. Except as provided in  
74 22 subsection 1, a cooperative, by affirmative vote of a majority  
74 23 of the board present, may sell, lease, transfer, or otherwise  
74 24 dispose of all or substantially all of its property and  
74 25 assets, including its goodwill, not in the usual and regular  
74 26 course of its business, upon those terms and conditions and  
74 27 for those considerations, which may be money, securities, or  
74 28 other instruments for the payment of money or other property,  
74 29 as the board considers expedient, when approved at a regular  
74 30 or special meeting of the members by the affirmative vote of  
74 31 two-thirds of the voting power voting at the meeting. Ten



74 32 days' written notice of the meeting must be given to all  
74 33 members whether or not they are entitled to vote at the  
74 34 meeting. The written notice must state that a purpose of the  
74 35 meeting is to consider the sale, lease, transfer, or other  
75 1 disposition of all or substantially all of the property and  
75 2 assets of the cooperative.  
75 3 3. CONFIRMATORY DOCUMENTS. Confirmatory deeds,  
75 4 assignments, or similar instruments to evidence a sale, lease,  
75 5 transfer, or other disposition may be signed and delivered at  
75 6 any time in the name of the transferor by its current  
75 7 chairperson of the board or authorized agents.  
75 8 4. LIABILITY OF TRANSFEREE. The transferee is liable for  
75 9 the debts, obligations, and liabilities of the transferor only  
75 10 to the extent provided in the contract or agreement between  
75 11 the transferee and the transferor or to the extent provided by  
75 12 law.

75 13 Sec. 66. NEW SECTION. 501A.816 VOTE OF OWNERSHIP  
75 14 INTERESTS HELD BY COOPERATIVE.

75 15 A cooperative that holds ownership interests of another  
75 16 business entity may, by direction of the cooperative's board,  
75 17 elect or appoint a person to represent the cooperative at a  
75 18 meeting of the business entity. The representative has  
75 19 authority to represent the cooperative and may cast the  
75 20 cooperative's vote at the business entity's meeting.

75 21 SUBCHAPTER 9  
75 22 MEMBERSHIP INTERESTS

75 23 Sec. 67. NEW SECTION. 501A.901 MEMBERSHIP INTERESTS.

75 24 1. PATRON MEMBERSHIP INTERESTS. Patron membership  
75 25 interests shall be the only membership interest of a  
75 26 cooperative unless nonpatron memberships are authorized under  
75 27 subsection 2. If nonpatron interests are authorized, the  
75 28 patron membership interests collectively shall have not less  
75 29 than fifty percent of the cooperative's financial rights to  
75 30 profit allocations and distributions. However, the  
75 31 cooperative's articles or bylaws may be amended by the  
75 32 affirmative vote of patron members to allow the cooperative's  
75 33 financial rights to profit allocations and distributions to  
75 34 patron members collectively to be a lesser amount but in no  
75 35 case less than fifteen percent.

76 1 2. NONPATRONAGE MEMBERSHIP INTERESTS.

76 2 a. In order for a cooperative to have nonpatron membership  
76 3 interests, the patron members must approve articles or bylaw  
76 4 provisions authorizing the terms and conditions of the  
76 5 nonpatron membership interests, which may include authorizing  
76 6 the board to determine the terms and conditions of the  
76 7 nonpatron membership interests.

76 8 b. If nonpatron membership interests are authorized, the  
76 9 cooperative may solicit and issue nonpatron membership  
76 10 interests on terms and conditions determined by the board and  
76 11 disclosed in the articles, bylaws, or by separate disclosure  
76 12 to the members. Each member acquiring nonpatron membership  
76 13 interests shall sign a member control agreement or otherwise  
76 14 agree to the conditions of the bylaws. The control agreement  
76 15 or the bylaws shall describe the rights and obligations of the  
76 16 member as it relates to the nonpatron membership interests,  
76 17 the financial and governance rights, the transferability of  
76 18 the nonpatron membership interests, the division and  
76 19 allocation of profits and losses among the membership  
76 20 interests and membership classes, and financial rights upon  
76 21 liquidation. If the articles or bylaws do not otherwise  
76 22 provide for the allocation of the profits and losses between  
76 23 patron membership interests and nonpatron membership  
76 24 interests, then the allocation of profits and losses among  
76 25 nonpatron membership interests individually and patron  
76 26 membership interests collectively shall be allocated on the  
76 27 basis of the value of contributions to capital made according  
76 28 to the patron membership interests collectively and the  
76 29 nonpatron memberships interests individually to the extent the  
76 30 contributions have been accepted by the cooperative.

76 31 Distributions of cash or other assets of the cooperative shall  
76 32 be allocated among the membership interests as provided in the  
76 33 articles or bylaws, subject to the provisions of this chapter.  
76 34 If not otherwise provided in the articles or bylaws,  
76 35 distributions shall be made on the basis of value of the  
77 1 capital contributions of the patron membership interests  
77 2 collectively and the nonpatron membership interests to the  
77 3 extent the contributions have been accepted by the  
77 4 cooperative.

77 5 3. AMOUNTS AND DIVISIONS OF MEMBERSHIP INTERESTS. The  
77 6 authorized amount and divisions of patron membership interests  
77 7 and, if authorized by the patron members, nonpatron membership

77 8 interest, may be increased, decreased, established, or altered  
77 9 in accordance with the restrictions in this chapter by  
77 10 amending the articles or bylaws at a regular members' meeting  
77 11 or at a special members' meeting called for the purpose of the  
77 12 amendment.

77 13 4. ISSUANCE OF MEMBERSHIP INTERESTS. Authorized  
77 14 membership interests may be issued on terms and conditions  
77 15 prescribed in the articles, bylaws, or if authorized in the  
77 16 articles or bylaws as determined by the board. The  
77 17 cooperative shall disclose to any person acquiring membership  
77 18 interests to be issued by the cooperative, the organization,  
77 19 capital structure, and known business prospects and risks of  
77 20 the cooperative, the nature of the governance and financial  
77 21 rights of the membership interest being acquired and of other  
77 22 classes of membership and membership interests. The  
77 23 cooperative shall notify all members of the membership  
77 24 interests being issued by the cooperative. A membership  
77 25 interest shall not be issued until subscription price of the  
77 26 membership interest has been paid for in money or property  
77 27 with the value of the property to be contributed approved by  
77 28 the board.

77 29 5. TRANSFERRING OR SELLING MEMBERSHIP INTERESTS. After  
77 30 issuance by the cooperative, membership interests in a  
77 31 cooperative may only be sold or transferred with the approval  
77 32 of the board. The board may adopt resolutions prescribing  
77 33 procedures to prospectively approve transfers.

77 34 6. COOPERATIVE FIRST RIGHT TO PURCHASE MEMBERSHIP  
77 35 INTERESTS. The articles or bylaws may provide that the  
78 1 cooperative or the patron members, individually or  
78 2 collectively, have the first privilege of purchasing the  
78 3 membership interests of any class of membership interests  
78 4 offered for sale. The first privilege to purchase membership  
78 5 interests may be satisfied by notice to other members that the  
78 6 membership interests are for sale and a procedure by which  
78 7 members may proceed to attempt to purchase and acquire the  
78 8 membership interests.

78 9 7. PAYMENT FOR DISSENTING MEMBERSHIP INTERESTS.  
78 10 a. Subject to the provisions in the articles and bylaws, a  
78 11 member may dissent from and obtain payment for the fair value  
78 12 of the member's membership interests in the cooperative if all  
78 13 of the following apply:

78 14 (1) The majority of the cooperative's member voting power  
78 15 is held by different classes of interests.

78 16 (2) The articles or bylaws are amended or the cooperative  
78 17 is merged or otherwise combined with another entity in a  
78 18 manner that materially and adversely affects the rights and  
78 19 preferences of the membership interests of the dissenting  
78 20 member.

78 21 b. The dissenting member shall file a notice of intent to  
78 22 demand fair value of the membership interest with the records  
78 23 officer of the cooperative within thirty days after the  
78 24 amendment of the bylaws and notice of the amendment to  
78 25 members; otherwise, the right of the dissenting member to  
78 26 demand payment of fair value for the membership interest is  
78 27 waived. If a proposed amendment of the articles or bylaws  
78 28 must be approved by the members, a member who is entitled to  
78 29 dissent and who wishes to exercise dissenter's rights shall  
78 30 file a notice to demand fair value of the membership interest  
78 31 with the records officer of the cooperative; otherwise, the  
78 32 right to demand fair value for the membership interest by the  
78 33 dissenting member is waived. After receipt of the dissenting  
78 34 member's demand notice and approval of the amendment, the  
78 35 cooperative has sixty days to rescind the amendment, or  
79 1 otherwise the cooperative shall remit the fair value for the  
79 2 member's interest to the dissenting member by one hundred  
79 3 eighty days after receipt of the notice. Upon receipt of the  
79 4 fair value for the membership interest, the member has no  
79 5 further member rights in the cooperative.

79 6 Sec. 68. NEW SECTION. 501A.902 ASSIGNMENT OF FINANCIAL  
79 7 RIGHTS.

79 8 1. ASSIGNMENT OF FINANCIAL RIGHTS PERMITTED. Except as  
79 9 provided in subsection 3, a member's financial rights are  
79 10 transferable in whole or in part.

79 11 2. EFFECT OF ASSIGNMENT OF FINANCIAL RIGHTS. An  
79 12 assignment of a member's financial rights entitles the  
79 13 assignee to receive, to the extent assigned, only the share of  
79 14 profits and losses and the distributions to which the assignor  
79 15 would otherwise be entitled. An assignment of a member's  
79 16 financial rights does not dissolve the cooperative and does  
79 17 not entitle or empower the assignee to become a member, to  
79 18 exercise any governance rights, to receive any notices from

79 19 the cooperative, or to cause dissolution. The assignment  
79 20 shall not allow the assignee to control the member's exercise  
79 21 of governance or voting rights.  
79 22 3. RESTRICTIONS OF ASSIGNMENT OF FINANCIAL RIGHTS.

79 23 a. A restriction on the assignment of financial rights may  
79 24 be imposed in the articles, in the bylaws, in a member control  
79 25 agreement, by a resolution adopted by the members, by an  
79 26 agreement among or other written action by the members, or by  
79 27 an agreement among or other written action by the members and  
79 28 the cooperative. A restriction is not binding with respect to  
79 29 financial rights reflected in the required records before the  
79 30 adoption of the restriction, unless the owners of those  
79 31 financial rights are parties to the agreement or voted in  
79 32 favor of the restriction.

79 33 b. Subject to paragraph "c", a written restriction on the  
79 34 assignment of financial rights that is not manifestly  
79 35 unreasonable under the circumstances and is noted  
80 1 conspicuously in the required records may be enforced against  
80 2 the owner of the restricted financial rights or a successor or  
80 3 transferee of the owner, including a pledgee or a legal  
80 4 representative. Unless noted conspicuously in the required  
80 5 records, a restriction, even though permitted by this section,  
80 6 is ineffective against a person without knowledge of the  
80 7 restriction.

80 8 c. With regard to restrictions on the assignment of  
80 9 financial rights, a would-be assignee of financial rights is  
80 10 entitled to rely on a statement of membership interest issued  
80 11 by the cooperative under section 501A.903. A restriction on  
80 12 the assignment of financial rights, which is otherwise valid  
80 13 and in effect at the time of the issuance of a statement of  
80 14 membership interest but which is not reflected in that  
80 15 statement, is ineffective against an assignee who takes an  
80 16 assignment in reliance on the statement.

80 17 d. Notwithstanding any provision of law, articles, bylaws,  
80 18 member control agreement, other agreement, resolution, or  
80 19 action to the contrary, a security interest in a member's  
80 20 financial rights may be foreclosed and otherwise enforced, and  
80 21 a secured party may assign a member's financial rights in  
80 22 accordance with the uniform commercial code, chapter 554,  
80 23 without the consent or approval of the member whose financial  
80 24 rights are subject to the security interest.

80 25 Sec. 69. NEW SECTION. 501A.903 NATURE OF A MEMBERSHIP  
80 26 INTEREST AND STATEMENT OF INTEREST OWNED.

80 27 1. GENERALLY. A membership interest is personal property.  
80 28 A member has no interest in specific cooperative property.  
80 29 All property of the cooperative is property of the  
80 30 cooperative.

80 31 2. STATEMENT OF MEMBERSHIP INTEREST. At the request of  
80 32 any member, the cooperative shall state in writing the  
80 33 particular membership interest owned by that member as of the  
80 34 date the cooperative makes the statement. The statement must  
80 35 describe the member's rights to vote, if any, to share in  
81 1 profits and losses, and to share in distributions,  
81 2 restrictions on assignments of financial rights under section  
81 3 501A.902, subsection 3, or voting rights under section  
81 4 501A.810 then in effect, as well as any assignment of the  
81 5 member's rights then in effect other than a security interest.

81 6 3. TERMS OF MEMBERSHIP INTERESTS. All the membership  
81 7 interests of a cooperative are subject to all of the  
81 8 following:

81 9 a. Membership interests shall be of one class, without  
81 10 series, unless the articles or bylaws establish or authorize  
81 11 the board to establish more than one class or series within  
81 12 classes.

81 13 b. Ordinary patron membership interests and, if  
81 14 authorized, nonpatron membership interest subject to this  
81 15 chapter are entitled to vote as provided in section 501A.810,  
81 16 and have equal rights and preferences in all matters not  
81 17 otherwise provided for by the board and to the extent that the  
81 18 articles or bylaws have fixed the relative rights and  
81 19 preferences of different classes and series.

81 20 c. Membership interests share profits and losses and are  
81 21 entitled to distributions as provided in sections 501A.1005  
81 22 and 501A.1006.

81 23 4. RIGHTS OF JUDGMENT CREDITOR. On application to a court  
81 24 of competent jurisdiction by any judgment creditor of a  
81 25 member, the court may charge a member's or an assignee's  
81 26 financial rights with payment of the unsatisfied amount of the  
81 27 judgment with interest. To the extent so charged, the  
81 28 judgment creditor has only the rights of an assignee of a  
81 29 member's financial rights under section 501A.902. This

chapter does not deprive any member or assignee of financial rights of the benefit of any exemption laws applicable to the membership interest. This section is the sole and exclusive remedy of a judgment creditor with respect to the judgment debtor's membership interest.

5. a. Subject to any restrictions in the articles or bylaws, the power granted in this subsection may be exercised by a resolution or resolutions establishing a class or series, setting forth the designation of the class or series, and fixing the relative rights and preferences of the class or series. Any of the rights and preferences of a class or series established in the articles, bylaws, or by resolution of the board may do any of the following:

(1) Be made dependent upon facts ascertainable outside the articles or bylaws or outside the resolution or resolutions establishing the class or series, if the manner in which the facts operate upon the rights and preferences of the class or series is clearly and expressly set forth in the articles or bylaws or in the resolution or resolutions establishing the class or series.

(2) Include by reference some or all of the terms of any agreements, contracts, or other arrangements entered into by the cooperative in connection with the establishment of the class or series if the cooperative retains at its principal executive office a copy of the agreements, contracts, or other arrangements or the portions will be included by reference.

b. A statement setting forth the name of the cooperative and the text of the resolution and certifying the adoption of the resolution and the date of adoption must be given to the members before the acceptance of any contributions for which the resolution creates rights or preferences not set forth in the articles or bylaws. Where the members have received notice of the creation of membership interests with rights or preferences not set forth in the articles or bylaws before the acceptance of the contributions with respect to the membership interests, the statement may be filed anytime within one year after the acceptance of the contributions. The resolution is effective three days after delivery to the members is deemed effective by the board, or, if the statement is not required to be given to the members before the acceptance of contributions, on the date of its adoption by the directors.

6. SPECIFIC TERMS. Without limiting the authority granted in this section, in regulating the membership interests of a class or series, a cooperative may do any of the following:

a. Subject to the right of the cooperative to redeem any of those membership interests at the price fixed for their redemption by the articles or bylaws or by the board.

b. Entitle the members to receive cumulative, partially cumulative, or noncumulative distributions.

c. Provide a preference over any class or series of membership interests for the payment of distributions of any or all kinds.

d. Convert into membership interests of any other class or any series of the same or another class.

e. Provide full, partial, or no voting rights, except as provided in section 501A.810.

7. GRANT OF A SECURITY INTEREST. For the purpose of any law relating to security interests, membership interests, governance or voting rights, and financial rights are each to be characterized as provided in section 554.8103, subsection 3.

8. POWERS OF ESTATE OF A DECEASED OR INCOMPETENT MEMBER.

a. If a member who is an individual dies or a court of competent jurisdiction adjudges the member to be incompetent to manage the member's person or property, or an order for relief under the bankruptcy code is entered with respect to the member, the member's executor, administrator, guardian, conservator, trustee, or other legal representative may exercise all of the member's rights for the purpose of settling the estate or administering the member's property. If a member is a business entity, trust, or other entity and is dissolved, terminated, or placed by a court in receivership or bankruptcy, the powers of that member may be exercised by its legal representative or successor.

b. If an event referred to in paragraph "a" causes the termination of a member's membership interest and the termination does not result in dissolution, then, subject to the articles and bylaws, all of the following apply:

(1) As provided in section 501A.902, the terminated member's interest will be considered to be merely that of an assignee of the financial rights owned before the termination

84 6 of membership.  
84 7 (2) The rights to be exercised by the legal representative  
84 8 of the terminated member shall be limited accordingly.  
84 9 9. LIABILITY OF SUBSCRIBERS AND MEMBERS WITH RESPECT TO  
84 10 MEMBERSHIP INTERESTS. A person who subscribes to or owns a  
84 11 membership interest in a cooperative is under no obligation to  
84 12 the cooperative or its creditors with respect to the  
84 13 membership interests subscribed for or owned, except to pay to  
84 14 the cooperative the full consideration for which the  
84 15 membership interests are issued or to be issued.  
84 16 Sec. 70. NEW SECTION. 501A.904 CERTIFICATED MEMBERSHIP  
84 17 INTERESTS.  
84 18 1. CERTIFICATED == UNCERTIFICATED. The membership  
84 19 interests of a cooperative shall be either certificated or  
84 20 uncertificated. Each holder of certificated membership  
84 21 interests issued is entitled to a certificate of membership  
84 22 interest.  
84 23 2. SIGNATURE REQUIRED. Certificates shall be signed by an  
84 24 agent or officer authorized in the articles or bylaws to sign  
84 25 share certificates or, in the absence of an authorization, by  
84 26 the chairperson or records officer of the cooperative.  
84 27 3. SIGNATURE VALID. If a person signs or has a facsimile  
84 28 signature placed upon a certificate while the chairperson, an  
84 29 officer, transfer agent, or records officer of a cooperative,  
84 30 the certificate may be issued by the cooperative, even if the  
84 31 person has ceased to have that capacity before the certificate  
84 32 is issued, with the same effect as if the person had that  
84 33 capacity at the date of its issue.  
84 34 4. FORM OF CERTIFICATE. A certificate representing  
84 35 membership interests of a cooperative shall contain on its  
85 1 face all of the following:  
85 2 a. The name of the cooperative.  
85 3 b. A statement that the cooperative is organized under the  
85 4 laws of this state and this chapter.  
85 5 c. The name of the person to whom the certificate is  
85 6 issued.  
85 7 d. The number and class of membership interests, and the  
85 8 designation of the series, if any, that the certificate  
85 9 represents.  
85 10 e. A statement that the membership interests in the  
85 11 cooperative are subject to the articles and bylaws of the  
85 12 cooperative.  
85 13 f. Any restrictions on transfer, including approval of the  
85 14 board, if applicable, first rights of purchase by the  
85 15 cooperative, and other restrictions on transfer, which may be  
85 16 stated by reference to the back of the certificate or to  
85 17 another document.  
85 18 5. LIMITATIONS SET FORTH. A certificate representing  
85 19 membership interests issued by a cooperative authorized to  
85 20 issue membership interests of more than one class or series  
85 21 shall set forth upon the face or back of the certificate, or  
85 22 shall state that the cooperative will furnish to any member  
85 23 upon request and without charge, a full statement of the  
85 24 designations, preferences, limitations, and relative rights of  
85 25 the membership interests of each class or series authorized to  
85 26 be issued, so far as they have been determined, and the  
85 27 authority of the board to determine the relative rights and  
85 28 preferences of subsequent classes or series.  
85 29 6. PRIMA FACIE EVIDENCE. A certificate signed as provided  
85 30 in subsection 2 is prima facie evidence of the ownership of  
85 31 the membership interests referred to in the certificate.  
85 32 7. UNCERTIFICATED MEMBERSHIP INTERESTS. Unless  
85 33 uncertificated membership interests are prohibited by the  
85 34 articles or bylaws, a resolution approved by the affirmative  
85 35 vote of a majority of the directors present may provide that  
86 1 some or all of any or all classes and series of its membership  
86 2 interests will be uncertificated membership interests.  
86 3 The resolution does not apply to membership interests  
86 4 represented by a certificate until the certificate is  
86 5 surrendered to the cooperative. Within a reasonable time  
86 6 after the issuance or transfer of uncertificated membership  
86 7 interests, the cooperative shall send to the new member the  
86 8 information required by this section to be stated on  
86 9 certificates. This information is not required to be sent to  
86 10 the new holder by a publicly held cooperative that has adopted  
86 11 a system of issuance, recordation, and transfer of its  
86 12 membership interests by electronic or other means not  
86 13 involving an issuance of certificates if the system complies  
86 14 with section 17A of the Securities Exchange Act of 1934, 15  
86 15 U.S.C. } 78a et seq. Except as otherwise expressly provided  
86 16 by statute, the rights and obligations of the holders of

86 17 certificated and uncertificated membership interests of the  
86 18 same class and series are identical.

86 19 Sec. 71. NEW SECTION. 501A.905 LOST CERTIFICATES ==  
86 20 REPLACEMENT.

86 21 1. ISSUANCE. A new membership interest certificate may be  
86 22 issued under section 554.8405 in place of one that is alleged  
86 23 to have been lost, stolen, or destroyed.

86 24 2. NOT OVERISSUE. The issuance of a new certificate under  
86 25 this section does not constitute an overissue of the  
86 26 membership interests the new certificate represents.

86 27 Sec. 72. NEW SECTION. 501A.906 RESTRICTION ON TRANSFER  
86 28 OR REGISTRATION OF MEMBERSHIP INTERESTS.

86 29 1. HOW IMPOSED. A restriction on the transfer or  
86 30 registration of transfer of membership interests of a  
86 31 cooperative may be imposed in the articles, in the bylaws, by  
86 32 a resolution adopted by the members, or by an agreement among  
86 33 or other written action by a number of members or holders of  
86 34 other membership interests or among them and the cooperative.  
86 35 A restriction is not binding with respect to membership  
87 1 interests issued prior to the adoption of the restriction,  
87 2 unless the holders of those membership interests are parties  
87 3 to the agreement or voted in favor of the restriction.

87 4 2. RESTRICTIONS PERMITTED. A written restriction on the  
87 5 transfer or registration of transfer of membership interests  
87 6 of a cooperative that is not manifestly unreasonable under the  
87 7 circumstances may be enforced against the holder of the  
87 8 restricted membership interests or a successor or transferee  
87 9 of the holder, including a pledgee or a legal representative,  
87 10 if the restriction is any of the following:

87 11 a. Noted conspicuously on the face or back of the  
87 12 certificate.

87 13 b. Included in this chapter or the articles or bylaws.

87 14 c. Included in information sent to the holders of  
87 15 uncertificated membership interests.

87 16 Unless otherwise restricted by this chapter, the articles,  
87 17 bylaws, noted conspicuously on the face or back of the  
87 18 certificate, or included in information sent to the holders of  
87 19 uncertificated membership interests, a restriction, even  
87 20 though permitted by this section, is ineffective against a  
87 21 person without knowledge of the restriction. A restriction  
87 22 under this section is deemed to be noted conspicuously and is  
87 23 effective if the existence of the restriction is stated on the  
87 24 certificate and reference is made to a separate document  
87 25 creating or describing the restriction.

87 26 SUBCHAPTER 10  
87 27 CONTRIBUTIONS, ALLOCATIONS, AND DISTRIBUTIONS

87 28 Sec. 73. NEW SECTION. 501A.1001 AUTHORIZATION, FORM, AND  
87 29 ACCEPTANCE OF CONTRIBUTIONS.

87 30 1. Subject to any restrictions in this chapter regarding  
87 31 patron and nonpatron membership interests or in the articles  
87 32 or bylaws, and only when authorized by the board, a  
87 33 cooperative may accept contributions, which may be patron or  
87 34 nonpatron membership contributions as determined by the board  
87 35 under subsections 2 and 3, make contribution agreements under  
88 1 section 501A.1003, and make contribution rights agreements  
88 2 under section 501A.1004.

88 3 2. PERMISSIBLE FORMS. A person may make a contribution to  
88 4 a cooperative by any of following:

88 5 a. Paying money or transferring the ownership of an  
88 6 interest in property to the cooperative or rendering services  
88 7 to or for the benefit of the cooperative.

88 8 b. Executing a written obligation signed by the person to  
88 9 pay money or transfer ownership of an interest in property to  
88 10 the cooperative or to perform services to or for the benefit  
88 11 of the cooperative.

88 12 3. A purported contribution shall not be treated or  
88 13 considered as a contribution, unless all of the following  
88 14 apply:

88 15 a. The board accepts the contribution on behalf of the  
88 16 cooperative and in that acceptance describes the contribution,  
88 17 including terms of future performance, if any, and states the  
88 18 value being accorded to the contribution.

88 19 b. The fact of contribution and the contribution's  
88 20 accorded value are both reflected in the required records of  
88 21 the cooperative.

88 22 4. The determinations of the board as to the amount or  
88 23 fair value or the fairness to the cooperative of the  
88 24 contribution accepted or to be accepted by the cooperative or  
88 25 the terms of payment or performance, including under a  
88 26 contribution rights in section 501A.1003, and a contribution  
88 27 rights agreement in section 501A.1004, are presumed to be

proper if they are made in good faith and on the basis of accounting methods, or a fair valuation or other method, reasonable in the circumstances. Directors who are present and entitled to vote, and who, intentionally or without reasonable investigation, fail to vote against approving a consideration that is unfair to the cooperative, or overvalue property or services received or to be received by the cooperative as a contribution, are jointly and severally liable to the cooperative for the benefit of the then members who did not consent to and are damaged by the action to the extent of the damages of those members. A director against whom a claim is asserted under this subsection, except in case of knowing participation in a deliberate fraud, is entitled to contribution on an equitable basis from other directors who are liable under this subsection.

Sec. 74. NEW SECTION. 501A.1002 RESTATEMENT OF VALUE OF PREVIOUS CONTRIBUTIONS.

1. DEFINITION. As used in this section, an "old contribution" is a contribution reflected in the required records of a cooperative before the time the cooperative accepts a new contribution.

2. RESTATEMENT REQUIRED. Whenever a cooperative accepts a new contribution, the board shall restate, as required by this section, the value of all old contributions.

3. RESTATEMENT AS TO PARTICULAR SERIES OR CLASS TO WHICH NEW CONTRIBUTION PERTAINS.

a. Unless otherwise provided in a cooperative's articles or bylaws, this subsection sets forth the method of restating the value of old contributions that pertain to the same series or class to which the new contribution pertains. In restating the value, the cooperative shall do all of the following:

(1) State the value the cooperative has accorded to the new contribution under section 504A.1001, subsection 3, paragraph "a".

(2) Determine what percentage the value stated under subparagraph (1) will constitute, after the restatement required by this subsection, of the total value of all contributions that pertain to the particular series or class to which the new contribution pertains.

(3) Divide the value stated under subparagraph (1) by the percentage determined under subparagraph (2), yielding the total value, after the restatement required by this subsection, of all contributions pertaining to the particular series or class.

(4) Subtract the value stated under subparagraph (1) from the value determined under subparagraph (3), yielding the total value, after the restatement required by this subsection, of all the old contributions pertaining to the particular series or class.

(5) Subtract the value, as reflected in the required records before the restatement required by this subsection, of the old contributions from the value determined under subparagraph (4), yielding the value to be allocated among and added to the old contributions pertaining to the particular series or class.

(6) Allocate the value determined under subparagraph (5) proportionally among the old contributions pertaining to the particular series or class, add the allocated values to those old contributions, and change the required records accordingly.

b. The values determined under paragraph "a", subparagraph (5), and allocated and added under paragraph "a", subparagraph (6), may be positive, negative, or zero.

4. RESTATEMENT METHOD FOR OTHER SERIES OR CLASS. Unless otherwise provided in a cooperative's articles or bylaws, this subsection sets forth the method of restating the value of old contributions that do not pertain to the same series or class to which the new contribution pertains. In restating the value, the cooperative shall do all of the following:

a. Determine the percentage by which the restatement under subsection 3 has changed the total contribution value reflected in the required records for the series or class to which the new contribution pertains.

b. As to each old contribution that does not pertain to the same series or class to which the new contribution pertains, change the value reflected in the required records by the percentage determined under paragraph "a". The percentage determined under paragraph "a" may be positive, negative, or zero.

5. NEW CONTRIBUTIONS MAY BE AGGREGATED. If a cooperative accepts more than one contribution pertaining to the same

91 4 series or class at the same time, then for the purpose of the  
91 5 restatement required by this section, the cooperative may  
91 6 consider all the new contributions a single contribution.  
91 7 Sec. 75. NEW SECTION. 501A.1003 CONTRIBUTION AGREEMENTS.  
91 8 1. SIGNED WRITING. A contribution agreement, whether made  
91 9 before or after the formation of the cooperative, is not  
91 10 enforceable against the would-be contributor unless it is in  
91 11 writing and signed by the would-be contributor.  
91 12 2. IRREVOCABLE PERIOD. Unless otherwise provided in the  
91 13 contribution agreement, or unless all of the would-be  
91 14 contributors and, if in existence, the cooperative, consent to  
91 15 a shorter or longer period, a contribution agreement is  
91 16 irrevocable for a period of six months.  
91 17 3. CURRENT AND DEFERRED PAYMENT. A contribution  
91 18 agreement, whether made before or after the formation of a  
91 19 cooperative, must be paid or performed in full at the time or  
91 20 times, or in the installments, if any, specified in the  
91 21 contribution agreement. In the absence of a provision in the  
91 22 contribution agreement specifying the time at which the  
91 23 contribution is to be paid or performed, the contribution must  
91 24 be paid or performed at the time or times determined by the  
91 25 board. However, a call made by the board for payment or  
91 26 performance on contributions must be uniform for all  
91 27 membership interests of the same class or for all membership  
91 28 interests of the same series.  
91 29 4. FAILURE TO PAY REMEDIES.  
91 30 a. Unless otherwise provided in the contribution  
91 31 agreement, in the event of default in the payment or  
91 32 performance of an installment or call when due, the  
91 33 cooperative may proceed to collect the amount due in the same  
91 34 manner as a debt due the cooperative. If a would-be  
91 35 contributor does not make a required contribution of property  
92 1 or services, the cooperative shall require the would-be  
92 2 contributor to contribute cash equal to that portion of the  
92 3 value, as stated in the cooperative's required records, of the  
92 4 contribution that has not been made.  
92 5 b. If the amount due under a contribution agreement  
92 6 remains unpaid for a period of twenty days after written  
92 7 notice of demand for payment has been given to the delinquent  
92 8 would-be contributor, the membership interests that were  
92 9 subject to the contribution agreement may be offered for sale  
92 10 by the cooperative for a price in money equaling or exceeding  
92 11 the sum of the full balance owed by the delinquent would-be  
92 12 contributor plus the expenses incidental to the sale.  
92 13 If the membership interests that were subject to the  
92 14 contribution agreement are sold according to this paragraph  
92 15 "b", the cooperative shall pay to the delinquent would-be  
92 16 contributor or to the delinquent would-be contributor's legal  
92 17 representative the lesser of one of the following:  
92 18 (1) The excess of net proceeds realized by the cooperative  
92 19 over the sum of the amount owed by the delinquent would-be  
92 20 contributor plus the expenses incidental to the sale, less any  
92 21 penalty stated in the contribution agreement, which may  
92 22 include forfeiture of the partial contribution.  
92 23 (2) The amount actually paid by the delinquent would-be  
92 24 contributor.  
92 25 If the membership interests that were subject to the  
92 26 contribution agreement are not sold according to this  
92 27 paragraph "b", the cooperative may collect the amount due in  
92 28 the same manner as a debt due the cooperative or cancel the  
92 29 contribution agreement according to paragraph "c".  
92 30 c. If the amount due under a contribution agreement  
92 31 remains unpaid for a period of twenty days after written  
92 32 notice of demand for payment has been given to the delinquent  
92 33 would-be contributor and the membership interests that were  
92 34 subject to the defaulted contribution agreement have not been  
92 35 sold according to paragraph "b", the cooperative may cancel  
93 1 the contribution agreement. In addition, the cooperative may  
93 2 retain any portion of the contribution agreement price  
93 3 actually paid as provided in the contribution agreement. The  
93 4 cooperative shall refund to the delinquent would-be  
93 5 contributor or the delinquent would-be contributor's legal  
93 6 representatives any portion of the contribution agreement  
93 7 price as provided in the contribution agreement.  
93 8 5. RESTRICTIONS ON ASSIGNMENT. Unless otherwise provided  
93 9 in the articles or bylaws, a would-be contributor's rights  
93 10 under a contribution agreement shall not be assigned, in whole  
93 11 or in part, to a person who was not a member at the time of  
93 12 the assignment, unless all the members approve the assignment  
93 13 by unanimous written consent.  
93 14 Sec. 76. NEW SECTION. 501A.1004 CONTRIBUTION RIGHTS



93 15 AGREEMENTS.

93 16 1. AGREEMENTS PERMITTED. Subject to any restrictions in a  
93 17 cooperative's articles or bylaws, the cooperative may enter  
93 18 into contribution rights agreements under the terms,  
93 19 provisions, and conditions established by board resolution.

93 20 2. WRITING REQUIRED AND TERMS TO BE STATED. Any  
93 21 contribution rights agreement must be in writing and the  
93 22 writing must state in full, summarize, or include by reference  
93 23 all the agreement's terms, provisions, and conditions of the  
93 24 rights to make contributions.

93 25 3. RESTRICTIONS ON ASSIGNMENT. Unless otherwise provided  
93 26 in a cooperative's articles or bylaws, a would-be  
93 27 contributor's rights under a contribution rights agreement  
93 28 shall not be assigned, in whole or in part, to a person who  
93 29 was not a member at the time of the assignment, unless all the  
93 30 members approve the assignment by unanimous written consent.

93 31 Sec. 77. NEW SECTION. 501A.1005 ALLOCATIONS AND  
93 32 DISTRIBUTIONS TO MEMBERS.

93 33 1. ALLOCATION OF PROFITS AND LOSSES. If nonpatron  
93 34 membership interests are authorized by the patrons, the bylaws  
93 35 shall prescribe the allocation of profits and losses between  
94 1 patron membership interests collectively and any other  
94 2 membership interests. If the bylaws do not otherwise provide,  
94 3 the profits and losses between patron membership interests  
94 4 collectively and other membership interests shall be allocated  
94 5 on the basis of the value of contributions to capital made by  
94 6 the patron membership interests collectively and other  
94 7 membership interests accepted by the cooperative. The  
94 8 allocation of profits to the patron membership interests  
94 9 collectively shall not be less than fifty percent of the total  
94 10 profits in any fiscal year, except if authorized in the  
94 11 cooperative's articles or bylaws that are adopted by an  
94 12 affirmative vote of the patron members, or in the articles or  
94 13 bylaws as amended by the affirmative vote of the patron  
94 14 members. However, the allocation of profits to the patron  
94 15 membership interests collectively shall not be less than  
94 16 fifteen percent of the total profits in any fiscal year.

94 17 2. DISTRIBUTION OF CASH OR OTHER ASSETS. A cooperative's  
94 18 bylaws shall prescribe the distribution of cash or other  
94 19 assets of the cooperative among the membership interests of  
94 20 the cooperative. If nonpatron membership interests are  
94 21 authorized by the patrons and the bylaws do not provide  
94 22 otherwise, distributions and allocations shall be made to the  
94 23 patron membership interests collectively and other members on  
94 24 the basis of the value of contributions to capital made and  
94 25 accepted by the cooperative, by the patron membership  
94 26 interests collectively, and other membership interests. The  
94 27 distributions to patron membership interests collectively  
94 28 shall not be less than fifty percent of the total  
94 29 distributions in any fiscal year, except if authorized in the  
94 30 articles or bylaws adopted by the affirmative vote of the  
94 31 patron members, or the articles or bylaws as amended by the  
94 32 affirmative vote of the patron members. However, the  
94 33 distributions to patron membership interests collectively  
94 34 shall not be less than fifteen percent of the total  
94 35 distributions in any fiscal year.

95 1 Sec. 78. NEW SECTION. 501A.1006 ALLOCATIONS AND  
95 2 DISTRIBUTIONS TO PATRON MEMBERS.

95 3 1. DISTRIBUTION OF NET INCOME. A cooperative may set  
95 4 aside a portion of net income allocated to the patron  
95 5 membership interests as the board determines advisable to  
95 6 create or maintain a capital reserve.

95 7 2. RESERVES. In addition to a capital reserve, the board  
95 8 may, for patron membership interests, do any of the following:

95 9 a. Set aside an amount not to exceed five percent of the  
95 10 annual net income of the cooperative for promoting and  
95 11 encouraging cooperative organization.

95 12 b. Establish and accumulate reserves for new buildings,  
95 13 machinery and equipment, depreciation, losses, and other  
95 14 proper purposes.

95 15 3. PATRONAGE DISTRIBUTIONS. Net income allocated to  
95 16 patron members in excess of dividends on equity and additions  
95 17 to reserves shall be distributed to patron members on the  
95 18 basis of patronage. A cooperative may establish allocation  
95 19 units, whether the units are functional, divisional,  
95 20 departmental, geographic, or otherwise. The cooperative may  
95 21 provide for pooling arrangements. The cooperative may account  
95 22 for and distribute net income to patrons on the basis of  
95 23 allocation units and pooling arrangements. A cooperative may  
95 24 offset the net loss of an allocation unit or pooling  
95 25 arrangement against the net income of other allocation units

95 26 or pooling arrangements.

95 27 4. FREQUENCY OF DISTRIBUTION. A distribution of net  
95 28 income shall be made at least annually. The board shall  
95 29 present to the members at their annual meeting a report  
95 30 covering the operations of the cooperative during the  
95 31 preceding fiscal year.

95 32 5. FORM OF DISTRIBUTION. A cooperative may distribute net  
95 33 income to patron members in cash, capital credits, allocated  
95 34 patronage equities, revolving fund certificates, or its own or  
95 35 other securities.

96 1 6. ELIGIBLE NONMEMBER PATRONS. A cooperative may provide  
96 2 in the bylaws that nonmember patrons are allowed to  
96 3 participate in the distribution of net income, payable to  
96 4 patron members on equal terms with patron members.

96 5 7. PATRONAGE CREDITS FOR INELIGIBLE MEMBERS. If a  
96 6 nonmember patron with patronage credits is not qualified or  
96 7 eligible for membership, a refund due may be credited to the  
96 8 nonmember patron's individual account. The board may issue a  
96 9 certificate of interest to reflect the credited amount. After  
96 10 the nonmember patron is issued a certificate of interest, the  
96 11 nonmember patron may participate in the distribution of income  
96 12 on the same basis as a patron member.

96 13 Sec. 79. NEW SECTION. 501A.1007 MEMBER CONTROL  
96 14 AGREEMENTS.

96 15 1. AUTHORIZATION. A written agreement among persons who  
96 16 are then members, including a sole member, or who have signed  
96 17 subscription or contribution agreements, relating to the  
96 18 control of any phase of the business and affairs of the  
96 19 cooperative, its liquidation, dissolution and termination, or  
96 20 the relations among members or persons who have signed  
96 21 subscription or contribution agreements is valid as provided  
96 22 in subsection 2. Other than the authorization of nonpatron  
96 23 membership interests as provided in section 501A.901 and  
96 24 nonpatron voting rights as provided in section 501A.810,  
96 25 whenever this chapter provides that a particular result may or  
96 26 must be obtained through a provision in a cooperative's  
96 27 articles or bylaws, the same result can be accomplished  
96 28 through a member control agreement valid under this section or  
96 29 through a procedure established by a member control agreement  
96 30 valid under this section. However, the member control  
96 31 agreement must be authorized by the cooperative's articles or  
96 32 bylaws and cannot conflict with the cooperative's articles or  
96 33 bylaws. Any result accomplished through a membership control  
96 34 agreement under this section must be properly disclosed as  
96 35 provided in section 501A.901.

97 1 2. VALID EXECUTION. Other than patron member voting  
97 2 control under section 501A.810 and patron member allocation  
97 3 and distribution provisions under sections 501A.1005 and  
97 4 501A.1006, a written agreement among persons described in  
97 5 subsection 1 that relates to the control of or the  
97 6 liquidation, dissolution, and termination of the cooperative,  
97 7 the relations among them, or any phase of the business and  
97 8 affairs of the cooperative is valid if it meets the  
97 9 requirements of this subsection. This includes but is not  
97 10 limited to the management of its business, the declaration and  
97 11 payment of distributions, the sharing of profits and losses,  
97 12 the election of directors, the employment of members by the  
97 13 cooperative, or the arbitration of disputes. The written  
97 14 agreement must be signed by all persons who are then the  
97 15 members of the cooperative, whether or not the members all  
97 16 have voting power, and all those who have signed contribution  
97 17 agreements, regardless of whether those signatories will, when  
97 18 members, have voting power.

97 19 3. OTHER AGREEMENTS NOT AFFECTED. This section does not  
97 20 apply to, limit, or restrict agreements otherwise valid, nor  
97 21 is the procedure set forth in this section the exclusive  
97 22 method of agreement among members or between the members and  
97 23 the cooperative with respect to any of the matters described.

97 24 Sec. 80. NEW SECTION. 501A.1008 REVERSION OF  
97 25 DISBURSEMENTS.

97 26 1. Once a person's membership interest or other member's  
97 27 equity in a cooperative is deemed abandoned under section  
97 28 556.5, the cooperative may retain any disbursement held by the  
97 29 cooperative for or owing to the person. The cooperative may  
97 30 also deliver the disbursement to the treasurer of state for  
97 31 disposition as abandoned property pursuant to sections 556.5  
97 32 and 556.11.

97 33 2. If the cooperative elects to retain the disbursement  
97 34 under this section, the disbursement shall be deposited into a  
97 35 reversion fund established by the cooperative.

98 1 3. A disbursement having an aggregate value of fifty

98 2 dollars or more that is retained by the cooperative shall be  
98 3 forfeited to the cooperative only if the cooperative publishes  
98 4 at least one notice of the abandoned property in a publication  
98 5 regularly distributed to its membership or in a newspaper  
98 6 having a general circulation in the county where the  
98 7 cooperative is located. The notice shall include all of the  
98 8 following:

- 98 9 a. The name and address of the cooperative.
  - 98 10 b. The name of the person who has an interest in the  
98 11 disbursement according to the records of the cooperative.
  - 98 12 c. A brief description of the type of disbursement  
98 13 retained by the cooperative.
  - 98 14 d. A statement that the disbursement will be forfeited to  
98 15 the cooperative unless the person files a claim for the  
98 16 disbursement within the period provided for in this section.
- 98 17 4. a. Subject to this subsection, a person asserting an  
98 18 interest in the disbursement may file a claim for it with the  
98 19 cooperative in a manner and according to procedures required  
98 20 by the cooperative. If a person is entitled to an abandoned  
98 21 membership interest, or other interest as provided in section  
98 22 556.20 or 556.21, the cooperative shall also pay the person  
98 23 the disbursement deposited in the reversion fund that is  
98 24 realized or accrued from the membership interest or other  
98 25 interest.

98 26 b. If a person has not filed a claim for the disbursement  
98 27 within six months after the first date that the notice of  
98 28 abandoned property is first published as provided in this  
98 29 section, the disbursement shall be forfeited to the  
98 30 cooperative.

98 31 5. The disbursements deposited into the reversion fund  
98 32 that are forfeited to the cooperative shall be used as  
98 33 provided in this subsection. The cooperative may authorize  
98 34 the payment of forfeited disbursements to persons claiming  
98 35 interests in forfeited disbursements as provided in the  
99 1 cooperative's articles of organization or bylaws. Otherwise,  
99 2 forfeited disbursements shall be used as the directors deem  
99 3 suitable for any of the following purposes:

- 99 4 a. Teaching and promoting cooperation. The directors may  
99 5 deposit the amounts of disbursements into the education fund  
99 6 as established by the cooperative.
- 99 7 b. Economic development including private or joint public  
99 8 and private investments involving the creation of economic  
99 9 opportunities for its members or the retention of existing  
99 10 sources of income that would otherwise be lost.

#### 99 11 SUBCHAPTER 11

#### 99 12 MERGER AND CONVERSION

99 13 Sec. 81. NEW SECTION. 501A.1101 MERGER AND  
99 14 CONSOLIDATION.

99 15 1. AUTHORIZATION. Unless otherwise prohibited,  
99 16 cooperatives organized under the laws of this state, including  
99 17 cooperatives organized under this chapter or traditional  
99 18 cooperatives, may merge or consolidate with each other, an  
99 19 Iowa limited liability company under the provisions of section  
99 20 490A.1207, or other business entities organized under the laws  
99 21 of another state by complying with the provisions of this  
99 22 section and the law of the state where the surviving or new  
99 23 business entity will exist. A cooperative shall not merge or  
99 24 consolidate with a business entity organized under the laws of  
99 25 this state, other than a traditional cooperative unless the  
99 26 law governing the business entity expressly authorizes merger  
99 27 or consolidation with a cooperative. This subsection does not  
99 28 authorize a foreign business entity to do any act not  
99 29 authorized by the law governing the foreign business entity.

99 30 2. PLAN. To initiate a merger or consolidation of a  
99 31 cooperative, a written plan of merger or consolidation shall  
99 32 be prepared by the board or by a committee selected by the  
99 33 board to prepare a plan. The plan shall state all of the  
99 34 following:

- 99 35 a. The names of the constituent domestic cooperative, the  
100 1 name of any Iowa limited liability company that is a party to  
100 2 the merger, to the extent authorized under section 490A.1207,  
100 3 and any foreign business entities.
- 100 4 b. The name of the surviving or new domestic cooperative,  
100 5 Iowa limited liability company as required by section  
100 6 490A.1207, or other foreign business entity.
- 100 7 c. The manner and basis of converting membership or  
100 8 ownership interests of the constituent domestic cooperative,  
100 9 the surviving Iowa limited liability company as provided in  
100 10 section 490A.1207, or foreign business entity into membership  
100 11 or ownership interests in the surviving or new domestic  
100 12 cooperative, the surviving Iowa limited liability company as

100 13 authorized in section 490A.1207, or foreign business entity.  
100 14 d. The terms of the merger or consolidation.  
100 15 e. The proposed effect of the merger or consolidation on  
100 16 the members and patron members of each constituent domestic  
100 17 cooperative.  
100 18 f. For a consolidation, the plan shall contain the  
100 19 articles of the entity or organizational documents to be filed  
100 20 with the state in which the entity is organized or, if the  
100 21 surviving organization is an Iowa limited liability company,  
100 22 the articles of organization.  
100 23 3. NOTICE. The following shall apply to notice:  
100 24 a. The board shall mail or otherwise transmit or deliver  
100 25 notice of the merger or consolidation to each member. The  
100 26 notice shall contain the full text of the plan, and the time  
100 27 and place of the meeting at which the plan will be considered.  
100 28 b. A cooperative with more than two hundred members may  
100 29 provide the notice in the same manner as a regular members'  
100 30 meeting notice.  
100 31 4. ADOPTION OF PLAN.  
100 32 a. A plan of merger or consolidation shall be adopted by a  
100 33 domestic cooperative as provided in this subsection.  
100 34 b. The plan of merger or consolidation is adopted if all  
100 35 of the following apply:  
101 1 (1) A quorum of the members eligible to vote is registered  
101 2 as being present or represented by mail vote or alternative  
101 3 ballot at the meeting.  
101 4 (2) The plan is approved by the patron members, or if  
101 5 otherwise provided in the articles or bylaws, is approved by a  
101 6 majority of the votes cast in each class of votes cast. For a  
101 7 domestic cooperative with articles or bylaws requiring more  
101 8 than a majority of the votes cast or other conditions for  
101 9 approval, the plan must be approved by a proportion of the  
101 10 votes cast or a number of total members as required by the  
101 11 articles or bylaws and the conditions for approval in the  
101 12 articles or bylaws have been satisfied.  
101 13 c. After the plan has been adopted, articles of merger or  
101 14 consolidation stating the plan and that the plan was adopted  
101 15 according to this subsection shall be signed by the  
101 16 chairperson, vice chairperson, records officer, or documents  
101 17 officer of each cooperative merging or consolidating.  
101 18 d. The articles of merger or consolidation shall be filed  
101 19 in the office of the secretary.  
101 20 e. For a merger, the articles of the surviving domestic  
101 21 cooperative subject to this chapter are deemed amended to the  
101 22 extent provided in the articles of merger.  
101 23 f. Unless a later date is provided in the plan, the merger  
101 24 or consolidation is effective when the articles of merger or  
101 25 consolidation are filed in the office of the secretary or the  
101 26 appropriate office of another jurisdiction.  
101 27 g. The secretary shall issue a certificate of organization  
101 28 of the merged or consolidated cooperative.  
101 29 5. EFFECT OF MERGER. For a merger that does not involve  
101 30 an Iowa limited liability company, the following shall apply  
101 31 to the effect of a merger:  
101 32 a. After the effective date, the domestic cooperative,  
101 33 Iowa limited liability company, if party to the plan, and any  
101 34 foreign business entity that is a party to the plan become a  
101 35 single entity. For a merger, the surviving business entity is  
102 1 the business entity designated in the plan. For a  
102 2 consolidation, the new domestic cooperative, the Iowa limited  
102 3 liability company, if any, and any foreign business entity is  
102 4 the business entity provided for in the plan. Except for the  
102 5 surviving or new domestic cooperative, Iowa limited liability  
102 6 company, or foreign business entity, the separate existence of  
102 7 each merged or consolidated domestic or foreign business  
102 8 entity that is a party to the plan ceases on the effective  
102 9 date of the merger or consolidation.  
102 10 b. The surviving or new domestic cooperative, Iowa limited  
102 11 liability company, or foreign business entity possesses all of  
102 12 the rights and property of each of the merged or consolidated  
102 13 business entities and is responsible for all their  
102 14 obligations. The title to property of the merged or  
102 15 consolidated domestic cooperative, Iowa limited liability  
102 16 company, or foreign business entity is vested in the surviving  
102 17 or new domestic cooperative, Iowa limited liability company,  
102 18 or foreign business entity without reversion or impairment of  
102 19 the title caused by the merger or consolidation.  
102 20 c. If a merger involves an Iowa limited liability company,  
102 21 this subsection is subject to the provisions of section  
102 22 490A.1207.  
102 23 Sec. 82. NEW SECTION. 501A.1102 MERGER OF SUBSIDIARY.

102 24 1. WHEN AUTHORIZED == CONTENTS OF PLAN. For purposes of  
102 25 this section, "subsidiary" means a domestic cooperative, an  
102 26 Iowa limited liability company, or a foreign cooperative.  
102 27 2. An Iowa limited liability company may only participate  
102 28 in a merger under this section to the extent authorized under  
102 29 section 490A.1207. A parent domestic cooperative or a  
102 30 subsidiary that is a domestic cooperative may complete the  
102 31 merger of a subsidiary as provided in this section. However,  
102 32 if either the parent cooperative or the subsidiary is a  
102 33 business entity organized under the laws of this state, the  
102 34 merger of the subsidiary is not authorized under this section  
102 35 unless the law governing the business entity expressly  
103 1 authorizes merger with a cooperative.  
103 2 a. A parent cooperative owning at least ninety percent of  
103 3 the outstanding ownership interests of each class and series  
103 4 of a subsidiary directly, or indirectly through related  
103 5 organizations, other than classes or series that, absent this  
103 6 section, would otherwise not be entitled to vote on the  
103 7 merger, may merge the subsidiary into itself or into any other  
103 8 subsidiary at least ninety percent of the outstanding  
103 9 ownership interests of each class and series of which is owned  
103 10 by the parent cooperative directly, or indirectly through  
103 11 related organizations, other than classes or series that,  
103 12 absent this section, would otherwise not be entitled to vote  
103 13 on the merger, without a vote of the members of itself or any  
103 14 subsidiary or may merge itself, or itself and one or more of  
103 15 the subsidiaries, into one of the subsidiaries under this  
103 16 section. A resolution approved by the affirmative vote of a  
103 17 majority of the directors of the parent cooperative present  
103 18 shall set forth a plan of merger that contains all of the  
103 19 following:  
103 20 (1) The name of the subsidiary or subsidiaries, the name  
103 21 of the parent cooperative, and the name of the surviving  
103 22 cooperative.  
103 23 (2) The manner and basis of converting the membership  
103 24 interests of the subsidiary or subsidiaries or parent  
103 25 cooperative into securities of the parent cooperative,  
103 26 subsidiary, or of another cooperative or, in whole or in part,  
103 27 into money or other property.  
103 28 (3) If the parent cooperative is a constituent cooperative  
103 29 but is not the surviving cooperative in the merger, a  
103 30 provision for the pro rata issuance of membership interests of  
103 31 the surviving cooperative to the holders of membership  
103 32 interests of the parent on surrender of any certificates for  
103 33 shares or membership interests of the parent cooperative.  
103 34 (4) If the surviving cooperative is a subsidiary, a  
103 35 statement of any amendments to the articles of the surviving  
104 1 cooperative that will be part of the merger.  
104 2 b. If the parent is a constituent cooperative and the  
104 3 surviving cooperative in the merger, the parent cooperative  
104 4 may change its cooperative name, without a vote of its  
104 5 members, by the inclusion of a provision to that effect in the  
104 6 resolution of merger setting forth the plan of merger that is  
104 7 approved by the affirmative vote of a majority of the  
104 8 directors of the parent cooperative present. Upon the  
104 9 effective date of the merger, the name of the parent  
104 10 cooperative shall be changed.  
104 11 c. If the parent cooperative is a constituent cooperative  
104 12 but is not the surviving cooperative in the merger, the  
104 13 resolution is not effective unless the resolution is also  
104 14 approved by the affirmative vote of the holders of a majority  
104 15 of the voting power of all membership interests of the parent  
104 16 entitled to vote at a regular or special meeting if the parent  
104 17 is a cooperative, or in accordance with the laws under which  
104 18 the parent is organized if the parent is a foreign business  
104 19 entity or foreign cooperative.  
104 20 3. NOTICE TO MEMBERS OF SUBSIDIARY. Notice of the action,  
104 21 including a copy of the plan of merger, shall be delivered to  
104 22 each member, other than the parent cooperative and any  
104 23 subsidiary of each subsidiary that is a constituent  
104 24 cooperative in the merger before, or within ten days after,  
104 25 the effective date of the merger.  
104 26 4. ARTICLES OF MERGER == CONTENTS OF ARTICLES. Articles  
104 27 of merger shall be prepared that contain all of the following:  
104 28 a. The plan of merger.  
104 29 b. The number of outstanding membership interests of each  
104 30 series and class of each subsidiary that is a constituent  
104 31 cooperative in the merger, other than the series or classes  
104 32 that, absent this section, would otherwise not be entitled to  
104 33 vote on the merger, and the number of membership interests of  
104 34 each series and class of the subsidiary or subsidiaries, other

104 35 than series or classes that, absent this section, would  
105 1 otherwise not be entitled to vote on the merger, owned by the  
105 2 parent directly, or indirectly through related organizations.  
105 3 c. A statement that the plan of merger has been approved  
105 4 by the parent under this section.  
105 5 5. ARTICLES SIGNED, FILED. The articles of merger shall  
105 6 be signed on behalf of the parent and filed with the  
105 7 secretary.  
105 8 6. CERTIFICATE. The secretary shall issue a certificate  
105 9 of merger to the parent or its legal representative or, if the  
105 10 parent is a constituent cooperative but is not the surviving  
105 11 cooperative in the merger, to the surviving cooperative or its  
105 12 legal representative.  
105 13 7. NONEXCLUSIVITY. A merger among a parent and one or  
105 14 more subsidiaries or among two or more subsidiaries of a  
105 15 parent may be accomplished under section 501A.1101 instead of  
105 16 this section, in which case this section does not apply.  
105 17 Sec. 83. NEW SECTION. 501A.1103 ABANDONMENT.  
105 18 1. ABANDONMENT BY MEMBERS OF PLAN. After a plan of merger  
105 19 has been approved by the members entitled to vote on the  
105 20 approval of the plan and before the effective date of the  
105 21 plan, the plan may be abandoned by the same vote that approved  
105 22 the plan.  
105 23 2. ABANDONMENT OF MERGER.  
105 24 a. A merger may be abandoned upon any of the following:  
105 25 (1) The members of each of the constituent domestic  
105 26 cooperatives entitled to vote on the approval of the plan have  
105 27 approved the abandonment at a meeting by the affirmative vote  
105 28 of the holders of a majority of the voting power of the  
105 29 membership interests entitled to vote.  
105 30 (2) The merger is with a domestic cooperative and an Iowa  
105 31 limited liability company or foreign business entity.  
105 32 (3) The abandonment is approved in such manner as may be  
105 33 required by section 490A.1207 for the involvement of an Iowa  
105 34 limited liability company, or for a foreign business entity by  
105 35 the laws of the state under which the foreign business entity  
106 1 is organized.  
106 2 (4) The members of a constituent domestic cooperative are  
106 3 not entitled to vote on the approval of the plan, and the  
106 4 board of the constituent domestic cooperative has approved the  
106 5 abandonment by the affirmative vote of a majority of the  
106 6 directors present.  
106 7 (5) The plan provides for abandonment and all conditions  
106 8 for abandonment set forth in the plan are met.  
106 9 (6) The plan is abandoned before the effective date of the  
106 10 plan by a resolution of the board of any constituent domestic  
106 11 cooperative abandoning the plan of merger approved by the  
106 12 affirmative vote of a majority of the directors present,  
106 13 subject to the contract rights of any other person under the  
106 14 plan. If a plan of merger is with a domestic business entity  
106 15 or foreign business entity, the plan of merger may be  
106 16 abandoned before the effective date of the plan by a  
106 17 resolution of the foreign business entity adopted according to  
106 18 the laws of the state under which the foreign business entity  
106 19 is organized, subject to the contract rights of any other  
106 20 person under the plan. If the plan of merger is with an Iowa  
106 21 limited liability company, the plan of merger may be abandoned  
106 22 by the Iowa limited liability company as provided in section  
106 23 490A.1207, subject to the contractual rights of any other  
106 24 person under the plan.  
106 25 b. If articles of merger have been filed with the  
106 26 secretary, but have not yet become effective, the constituent  
106 27 organizations, in the case of abandonment under paragraph "a",  
106 28 subparagraphs (1) through (4), the constituent organizations  
106 29 or any one of them, in the case of abandonment under paragraph  
106 30 "a", subparagraph (5), or the abandoning organization in the  
106 31 case of abandonment under paragraph "a", subparagraph (6),  
106 32 shall file with the secretary articles of abandonment that  
106 33 include all of the following:  
106 34 (1) The names of the constituent organizations.  
106 35 (2) The provisions of this section under which the plan is  
107 1 abandoned.  
107 2 (3) If the plan is abandoned under paragraph "a",  
107 3 subparagraph (6), the text of the resolution abandoning the  
107 4 plan.  
107 5 Sec. 84. NEW SECTION. 501A.1104 CONVERSION == AMENDMENT  
107 6 OF ORGANIZATIONAL DOCUMENTS TO BE GOVERNED BY THIS CHAPTER.  
107 7 1. AUTHORITY.  
107 8 a. A traditional cooperative organized may convert to a  
107 9 cooperative and become subject to this chapter by amending its  
107 10 organizational documents to conform to the requirements of

107 11 this chapter.

107 12 b. A traditional cooperative becoming a converted  
107 13 cooperative must provide its members with a disclosure  
107 14 statement of the rights and obligations of the members and the  
107 15 capital structure of the cooperative before becoming subject  
107 16 to this chapter. A traditional cooperative, upon distribution  
107 17 of the disclosure required in this subsection and approval of  
107 18 its members as necessary for amending its articles under the  
107 19 respective chapter of its organization, may amend its articles  
107 20 to comply with this chapter.

107 21 c. A traditional cooperative becoming a converted  
107 22 cooperative must prepare a certificate stating all of the  
107 23 following:

107 24 (1) The date on which the traditional cooperative was  
107 25 first organized.

107 26 (2) The name of the traditional cooperative and, if the  
107 27 name is changed, the name of the cooperative becoming  
107 28 converted.

107 29 (3) The future effective date and time, which must be a  
107 30 date and time certain, that the traditional cooperative will  
107 31 be governed by this chapter, if the effective date and time is  
107 32 not to be the date and time of filing.

107 33 d. Upon filing with the secretary of the articles for  
107 34 compliance with this chapter and the certificate required  
107 35 under paragraph "c", a traditional cooperative is converted  
108 1 and governed by this chapter unless a later date and time is  
108 2 specified in the certificate under paragraph "c".

108 3 e. In connection with a conversion under which a  
108 4 traditional cooperative becomes governed by this chapter, the  
108 5 rights, securities, or interests of the traditional  
108 6 cooperative as provided in chapter 497, 498, 499, or 501 may  
108 7 be exchanged or converted into rights, property, securities,  
108 8 or interests in the converted cooperative.

108 9 2. EFFECT OF BEING GOVERNED BY THIS CHAPTER. The  
108 10 conversion of a traditional cooperative to a cooperative  
108 11 governed by this chapter does not affect any obligations or  
108 12 liabilities of the cooperative before the conversion or the  
108 13 personal liability of any person incurred before the  
108 14 conversion.

108 15 a. When the conversion is effective, the rights,  
108 16 privileges, and powers of the cooperative, real and personal  
108 17 property of the cooperative, debts due to the cooperative, and  
108 18 causes of action belonging to the traditional cooperative  
108 19 remain vested in the converted cooperative and are the  
108 20 property of the converted cooperative and governed by this  
108 21 chapter. Title to real property vested by deed or otherwise  
108 22 in the traditional cooperative does not revert and is not  
108 23 impaired by reason of the cooperative being converted and  
108 24 governed by this chapter.

108 25 b. Rights of creditors and liens upon property of the  
108 26 traditional cooperative are preserved unimpaired, and debts,  
108 27 liabilities, and duties of the traditional cooperative remain  
108 28 attached to the converted cooperative and may be enforced  
108 29 against the converted cooperative to the same extent as if the  
108 30 debts, liabilities, and duties had originally been incurred or  
108 31 contracted by the cooperative as organized under this chapter.

108 32 c. The rights, privileges, powers, and interests in  
108 33 property of the traditional cooperative as well as the debts,  
108 34 liabilities, and duties of the traditional cooperative are not  
108 35 deemed, as a consequence of the conversion, to have been  
109 1 transferred for any purpose by the laws of this state.

109 2 SUBCHAPTER 12  
109 3 DISSOLUTION

109 4 Sec. 85. NEW SECTION. 501A.1201 METHODS OF DISSOLUTION.  
109 5 A cooperative may be dissolved by the members or by  
109 6 administrative or court order as provided in this chapter.

109 7 Sec. 86. NEW SECTION. 501A.1202 WINDING UP.

109 8 1. COLLECTION AND PAYMENT OF DEBTS. After the notice of  
109 9 intent to dissolve has been filed with the secretary, the  
109 10 board, or the officers acting under the direction of the  
109 11 board, shall proceed as soon as possible to do all of the  
109 12 following:

109 13 a. Collect or make provision for the collection of all  
109 14 debts due or owing to the cooperative, including unpaid  
109 15 subscriptions for membership interests.

109 16 b. Pay or make provision for the payment of all debts,  
109 17 obligations, and liabilities of the cooperative according to  
109 18 their priorities.

109 19 2. TRANSFER OF ASSETS. After the notice of intent to  
109 20 dissolve has been filed with the secretary, the board may  
109 21 sell, lease, transfer, or otherwise dispose of all or

109 22 substantially all of the property and assets of the dissolving  
109 23 cooperative without a vote of the members.

109 24 3. DISTRIBUTION TO MEMBERS. Tangible and intangible  
109 25 property, including money, remaining after the discharge of  
109 26 the debts, obligations, and liabilities of the cooperative  
109 27 shall be distributed to the members and former members as  
109 28 provided in the cooperative's articles or bylaws, unless  
109 29 otherwise provided by law. If previously authorized by the  
109 30 members, the tangible and intangible property of the  
109 31 cooperative may be liquidated and disposed of at the  
109 32 discretion of the board.

109 33 Sec. 87. NEW SECTION. 501A.1203 REVOCATION OF  
109 34 DISSOLUTION PROCEEDINGS.

109 35 1. AUTHORITY TO REVOKE. Dissolution proceedings may be  
110 1 revoked before the articles of dissolution are filed with the  
110 2 secretary.

110 3 2. REVOCATION BY MEMBERS. The chairperson may call a  
110 4 members' meeting to consider the advisability of revoking the  
110 5 dissolution proceedings. The question of the proposed  
110 6 revocation shall be submitted to the members at the members'  
110 7 meeting called to consider the revocation. The dissolution  
110 8 proceedings are revoked if the proposed revocation is approved  
110 9 at the members' meeting by a majority of the members of the  
110 10 cooperative or, for a cooperative with articles or bylaws  
110 11 requiring a greater number of members, the number of members  
110 12 required by the articles or bylaws.

110 13 3. FILING WITH THE SECRETARY. Revocation of dissolution  
110 14 proceedings is effective when a notice of revocation is filed  
110 15 with the secretary. After the notice is filed, the  
110 16 cooperative may resume business.

110 17 Sec. 88. NEW SECTION. 501A.1204 STATUTE OF LIMITATIONS.

110 18 The claim of a creditor or claimant against a dissolving  
110 19 cooperative is barred if the claim has not been enforced by  
110 20 initiating legal, administrative, or arbitration proceedings  
110 21 concerning the claim by two years after the date the notice of  
110 22 intent to dissolve is filed with the secretary.

110 23 Sec. 89. NEW SECTION. 501A.1205 ARTICLES OF DISSOLUTION.

110 24 1. CONDITIONS TO FILE. Articles of dissolution of a  
110 25 cooperative shall be filed with the secretary after payment of  
110 26 the claims of all known creditors and claimants has been made  
110 27 or provided for and the remaining property has been  
110 28 distributed by the board. The articles of dissolution shall  
110 29 state all of the following:

110 30 a. The name of the cooperative.

110 31 b. All debts, obligations, and liabilities of the  
110 32 cooperative have been paid or discharged or adequate  
110 33 provisions have been made for them or time periods allowing  
110 34 claims have run and other claims are not outstanding.

110 35 c. The remaining property, assets, and claims of the  
111 1 cooperative have been distributed among the members or under a  
111 2 liquidation authorized by the members.

111 3 d. Legal, administrative, or arbitration proceedings by or  
111 4 against the cooperative are not pending or adequate provision  
111 5 has been made for the satisfaction of a judgment, order, or  
111 6 decree that may be entered against the cooperative in a  
111 7 pending proceeding.

111 8 2. DISSOLUTION EFFECTIVE ON FILING. The cooperative is  
111 9 dissolved when the articles of dissolution have been filed  
111 10 with the secretary.

111 11 3. CERTIFICATE. The secretary shall issue to the  
111 12 dissolved cooperative or its legal representative a  
111 13 certificate of dissolution that contains all of the following:

111 14 a. The name of the dissolved cooperative.

111 15 b. The date the articles of dissolution were filed with  
111 16 the secretary.

111 17 c. A statement that the cooperative is dissolved.

111 18 Sec. 90. NEW SECTION. 501A.1206 APPLICATION FOR COURT=  
111 19 SUPERVISED VOLUNTARY DISSOLUTION.

111 20 After a notice of intent to dissolve has been filed with  
111 21 the secretary and before a certificate of dissolution has been  
111 22 issued, the cooperative or, for good cause shown, a member or  
111 23 creditor may apply to a court within the county where the  
111 24 registered address is located to have the dissolution  
111 25 conducted or continued under the supervision of the court.

111 26 Sec. 91. NEW SECTION. 501A.1207 COURT=ORDERED REMEDIES  
111 27 FOR DISSOLUTION.

111 28 1. CONDITIONS FOR RELIEF. A court may grant equitable  
111 29 relief that the court deems just and reasonable in the  
111 30 circumstances or may dissolve a cooperative and liquidate its  
111 31 assets and business as follows:

111 32 a. In a supervised voluntary dissolution that is applied



111 33 for by the cooperative.  
111 34 b. In an action by a member when it is established that  
111 35 any of the following apply:  
112 1 (1) The directors or the persons having the authority  
112 2 otherwise vested in the board are deadlocked in the management  
112 3 of the cooperative's affairs and the members are unable to  
112 4 break the deadlock.  
112 5 (2) The directors or those in control of the cooperative  
112 6 have acted fraudulently, illegally, or in a manner unfairly  
112 7 prejudicial toward one or more members in their capacities as  
112 8 members, directors, or officers.  
112 9 (3) The members of the cooperative are so divided in  
112 10 voting power that, for a period that includes the time when  
112 11 two consecutive regular members' meetings were held, they have  
112 12 failed to elect successors to directors whose terms have  
112 13 expired or would have expired upon the election and  
112 14 qualification of their successors.  
112 15 (4) The cooperative assets are being misapplied or wasted.  
112 16 (5) The period of duration as provided in the articles has  
112 17 expired and has not been extended as provided in this chapter.  
112 18 c. In an action by a creditor when any of the following  
112 19 applies:  
112 20 (1) The claim of the creditor against the cooperative has  
112 21 been reduced to judgment and an execution on the judgment has  
112 22 been returned unsatisfied.  
112 23 (2) The cooperative has admitted in writing that the claim  
112 24 of the creditor against the cooperative is due and owing and  
112 25 it is established that the cooperative is unable to pay its  
112 26 debts in the ordinary course of business.  
112 27 (3) In an action by the attorney general to dissolve the  
112 28 cooperative in accordance with this chapter when it is  
112 29 established that a decree of dissolution is appropriate.  
112 30 2. CONDITION OF COOPERATIVE OR ASSOCIATION. In  
112 31 determining whether to order equitable relief or dissolution,  
112 32 the court shall take into consideration the financial  
112 33 condition of the cooperative, but shall not refuse to order  
112 34 equitable relief or dissolution solely on the grounds that the  
112 35 cooperative has accumulated operating net income or current  
113 1 operating net income.  
113 2 3. DISSOLUTION AS REMEDY. In deciding whether to order  
113 3 dissolution of the cooperative, the court shall consider  
113 4 whether lesser relief suggested by one or more parties, such  
113 5 as a form of equitable relief or a partial liquidation, would  
113 6 be adequate to permanently relieve the circumstances  
113 7 established under subsection 1, paragraph "b", subparagraph  
113 8 (1) or (2). Lesser relief may be ordered if it would be  
113 9 appropriate under the facts and circumstances of the case.  
113 10 4. EXPENSES. If the court finds that a party to a  
113 11 proceeding brought under this section has acted arbitrarily,  
113 12 vexatiously, or otherwise not in good faith, the court may in  
113 13 its discretion award reasonable expenses, including attorney  
113 14 fees and disbursements to any of the other parties.  
113 15 5. VENUE. Proceedings under this section shall be brought  
113 16 in a court within the county where the registered address of  
113 17 the cooperative is located.  
113 18 6. PARTIES. It is not necessary to make members parties  
113 19 to the action or proceeding unless relief is sought against  
113 20 them personally.  
113 21 Sec. 92. NEW SECTION. 501A.1208 PROCEDURE IN INVOLUNTARY  
113 22 OR COURT-SUPERVISED VOLUNTARY DISSOLUTION.  
113 23 1. ACTION BEFORE HEARING. Before a hearing is completed  
113 24 in dissolution proceedings, a court may do any of the  
113 25 following:  
113 26 a. Issue injunctions.  
113 27 b. Appoint receivers with all powers and duties that the  
113 28 court directs.  
113 29 c. Take actions required to preserve the cooperative's  
113 30 assets, wherever located.  
113 31 d. Carry on the business of the cooperative.  
113 32 2. ACTION AFTER HEARING. After a hearing is completed,  
113 33 upon notice to parties to the proceedings and to other parties  
113 34 in interest designated by the court, the court may appoint a  
113 35 receiver to collect the cooperative's assets, including  
114 1 amounts owing to the cooperative by subscribers on account of  
114 2 an unpaid portion of the consideration for the issuance of  
114 3 membership interests. A receiver has authority, subject to  
114 4 the order of the court, to continue the business of the  
114 5 cooperative and to sell, lease, transfer, or otherwise dispose  
114 6 of the property and assets of the cooperative, either at  
114 7 public or private sale.  
114 8 3. DISCHARGE OF OBLIGATIONS. The assets of the

114 9 cooperative or the proceeds resulting from a sale, lease,  
114 10 transfer, or other disposition shall be applied in the  
114 11 following order of priority:  
114 12 a. The costs and expense of the proceedings, including  
114 13 attorney fees and disbursements.  
114 14 b. Debts, taxes, and assessments due the United States,  
114 15 this state, and other states in that order.  
114 16 c. Claims duly proved and allowed to employees under the  
114 17 provisions of the workers' compensation law, except that  
114 18 claims under this paragraph shall not be allowed if the  
114 19 cooperative carried workers' compensation insurance, as  
114 20 provided by law, at the time the injury was sustained.  
114 21 d. Claims, including the value of all compensation paid in  
114 22 a medium other than money, proved and allowed to employees for  
114 23 services performed within three months preceding the  
114 24 appointment of the receiver.  
114 25 e. Other claims that are proved and allowed by the court.  
114 26 4. REMAINDER TO MEMBERS. After payment of the expenses of  
114 27 receivership and claims of creditors are proved, the remaining  
114 28 assets, if any, may be distributed to the members or  
114 29 distributed under an approved liquidation plan.  
114 30 Sec. 93. NEW SECTION. 501A.1209 RECEIVER QUALIFICATIONS  
114 31 AND POWERS.  
114 32 1. QUALIFICATIONS. A receiver shall be a natural person  
114 33 or a domestic business entity or a foreign business entity  
114 34 authorized to transact business in this state. A receiver  
114 35 shall give a bond as directed by the court with the sureties  
115 1 required by the court.  
115 2 2. POWERS. A receiver may sue and defend in all courts as  
115 3 receiver of the cooperative. The court appointing the  
115 4 receiver has exclusive jurisdiction of the cooperative and its  
115 5 property.  
115 6 Sec. 94. NEW SECTION. 501A.1210 DISSOLUTION ACTION BY  
115 7 ATTORNEY GENERAL == ADMINISTRATIVE DISSOLUTION.  
115 8 1. CONDITIONS TO BEGIN ACTION. A cooperative may be  
115 9 dissolved involuntarily by a decree of a court in this state  
115 10 in an action filed by the attorney general if it is  
115 11 established that any of the following applies:  
115 12 a. The articles and certificate of organization were  
115 13 procured through fraud.  
115 14 b. The cooperative was organized for a purpose not  
115 15 permitted by this chapter or prohibited by state law.  
115 16 c. The cooperative has flagrantly violated a provision of  
115 17 this chapter, has violated a provision of this chapter more  
115 18 than once, or has violated more than one provision of this  
115 19 chapter.  
115 20 d. The cooperative has acted, or failed to act, in a  
115 21 manner that constitutes surrender or abandonment of the  
115 22 cooperative's franchise, privileges, or enterprise.  
115 23 2. NOTICE TO COOPERATIVE. An action shall not be  
115 24 commenced under subsection 1 until thirty days after notice to  
115 25 the cooperative by the attorney general of the reason for the  
115 26 filing of the action. If the reason for filing the action is  
115 27 an act that the cooperative has done, or omitted to do, and  
115 28 the act or omission may be corrected by an amendment of the  
115 29 articles or bylaws or by performance of or abstention from the  
115 30 act, the attorney general shall give the cooperative thirty  
115 31 additional days to make the correction before filing the  
115 32 action.  
115 33 Sec. 95. NEW SECTION. 501A.1211 FILING CLAIMS IN COURT=  
115 34 SUPERVISED DISSOLUTION PROCEEDINGS.  
115 35 1. FILING UNDER OATH. In proceedings to dissolve a  
116 1 cooperative, the court may require all creditors and claimants  
116 2 of the cooperative to file their claims under oath with the  
116 3 clerk of court or with the receiver in a form prescribed by  
116 4 the court.  
116 5 2. DATE TO FILE A CLAIM. If the court requires the filing  
116 6 of claims, the court shall do all of the following:  
116 7 a. Set a date, by order, at least one hundred twenty days  
116 8 after the date the order is filed as the last day for the  
116 9 filing of claims.  
116 10 b. Prescribe the notice of the fixed date that shall be  
116 11 given to creditors and claimants.  
116 12 3. FIXED DATE OR EXTENSION FOR FILING. Before the fixed  
116 13 date, the court may extend the time for filing claims.  
116 14 Creditors and claimants failing to file claims on or before  
116 15 the fixed date may be barred, by order of court, from claiming  
116 16 an interest in or receiving payment out of the property or  
116 17 assets of the cooperative.  
116 18 Sec. 96. NEW SECTION. 501A.1212 DISCONTINUANCE OF COURT=  
116 19 SUPERVISED DISSOLUTION PROCEEDINGS.

116 20 The involuntary or supervised voluntary dissolution of a  
116 21 cooperative may be discontinued at any time during the  
116 22 dissolution proceedings if it is established that cause for  
116 23 dissolution does not exist. The court shall dismiss the  
116 24 proceedings and direct the receiver, if any, to redeliver to  
116 25 the cooperative its remaining property and assets.  
116 26 Sec. 97. NEW SECTION. 501A.1213 COURT=SUPERVISED  
116 27 DISSOLUTION ORDER.

116 28 1. CONDITIONS FOR DISSOLUTION ORDER. In an involuntary or  
116 29 supervised voluntary dissolution the court shall enter an  
116 30 order dissolving the cooperative upon the following  
116 31 conditions:

116 32 a. After the costs and expenses of the proceedings and all  
116 33 debts, obligations, and liabilities of the cooperative have  
116 34 been paid or discharged and the remaining property and assets  
116 35 have been distributed to its members.

117 1 b. If the property or other assets are not sufficient to  
117 2 satisfy and discharge the costs, expenses, debts, obligations,  
117 3 and liabilities, when all the property and assets have been  
117 4 applied so far as they will go to their payment according to  
117 5 their priorities.

117 6 2. DISSOLUTION EFFECTIVE ON FILING ORDER. When the order  
117 7 dissolving the cooperative has been entered, the cooperative  
117 8 is dissolved.

117 9 Sec. 98. NEW SECTION. 501A.1214 FILING COURT'S  
117 10 DISSOLUTION ORDER.

117 11 After the court enters an order dissolving a cooperative,  
117 12 the clerk of court shall cause a certified copy of the  
117 13 dissolution order to be filed with the secretary. The  
117 14 secretary shall not charge a fee for filing the dissolution  
117 15 order.

117 16 Sec. 99. NEW SECTION. 501A.1215 BARRING OF CLAIMS.

117 17 1. CLAIMS BARRED. A person who is or becomes a creditor  
117 18 or claimant before, during, or following the conclusion of  
117 19 dissolution proceedings, who does not file a claim or pursue a  
117 20 remedy in a legal, administrative, or arbitration proceeding  
117 21 during the pendency of the dissolution proceeding or has not  
117 22 initiated a legal, administrative, or arbitration proceeding  
117 23 before the commencement of the dissolution proceedings and all  
117 24 those claiming through or under the creditor or claimant, are  
117 25 forever barred from suing on that claim or otherwise realizing  
117 26 upon or enforcing it, except as provided in this section.

117 27 2. CERTAIN UNFILED CLAIMS ALLOWED. Within one year after  
117 28 articles of dissolution have been filed with the secretary  
117 29 under this chapter or a dissolution order has been entered, a  
117 30 creditor or claimant who shows good cause for not having  
117 31 previously filed the claim may apply to a court in this state  
117 32 to allow a claim for any of the following:

117 33 a. Against the cooperative to the extent of undistributed  
117 34 assets.

117 35 b. If the undistributed assets are not sufficient to  
118 1 satisfy the claim, the claim may be allowed against a member  
118 2 to the extent of the distributions to members in dissolution  
118 3 received by the member.

118 4 3. OMITTED CLAIMS ALLOWED. Debts, obligations, and  
118 5 liabilities incurred during dissolution proceedings shall be  
118 6 paid or provided for by the cooperative before the  
118 7 distribution of assets to a member. A person to whom this  
118 8 kind of debt, obligation, or liability is owed but is not paid  
118 9 may pursue any remedy against the offenders, directors, or  
118 10 members of the cooperative before the expiration of the  
118 11 applicable statute of limitations. This subsection does not  
118 12 apply to dissolution under the supervision or order of a  
118 13 court.

118 14 Sec. 100. NEW SECTION. 501A.1216 RIGHT TO SUE OR DEFEND  
118 15 AFTER DISSOLUTION.

118 16 After a cooperative has been dissolved, any of its former  
118 17 officers, directors, or members may assert or defend, in the  
118 18 name of the cooperative, a claim by or against the  
118 19 cooperative.

118 20 DIVISION II  
118 21 CONFORMING AND OTHER CHANGES

118 22 Sec. 101. Section 10B.1, subsection 2, Code 2005, is  
118 23 amended to read as follows:

118 24 2. "Cooperative association" means any entity organized on  
118 25 a cooperative basis, including an association of persons  
118 26 organized under chapter 497, 498, or 499; an entity composed  
118 27 of entities organized under those chapters; or a cooperative  
118 28 organized under chapter 501 or 501A.

118 29 Sec. 102. Section 10B.4, subsection 1, Code 2005, is  
118 30 amended to read as follows:

118 31 1. A biennial report shall be filed by a reporting entity  
118 32 with the secretary of state on or before March 31 of each odd=  
118 33 numbered year as required by rules adopted by the secretary of  
118 34 state pursuant to chapter 17A. However, a reporting entity  
118 35 required to file a biennial report pursuant to chapter 490,  
119 1 496C, 497, 498, 490A, 499, 501, 501A, or 504A shall file the  
119 2 report required by this section in the same year as required  
119 3 by that chapter. The reporting entity may file the report  
119 4 required by this section together with the biennial report  
119 5 required to be filed by one of the other chapters referred to  
119 6 in this subsection. The reports shall be filed on forms  
119 7 prepared and supplied by the secretary of state. The  
119 8 secretary of state may provide for combining its reporting  
119 9 forms with other biennial reporting forms required to be used  
119 10 by the reporting entities.

119 11 Sec. 103. Section 15.333, subsection 1, Code 2005, is  
119 12 amended to read as follows:

119 13 1. An eligible business may claim a corporate tax credit  
119 14 up to a maximum of ten percent of the new investment which is  
119 15 directly related to new jobs created by the location or  
119 16 expansion of an eligible business under the program. Any  
119 17 credit in excess of the tax liability for the tax year may be  
119 18 credited to the tax liability for the following seven years or  
119 19 until depleted, whichever occurs earlier. Subject to prior  
119 20 approval by the department of economic development in  
119 21 consultation with the department of revenue, an eligible  
119 22 business whose project primarily involves the production of  
119 23 value-added agricultural products may elect to receive a  
119 24 refund of all or a portion of an unused tax credit. For  
119 25 purposes of this section, an eligible business includes a  
119 26 cooperative described in section 521 of the Internal Revenue  
119 27 Code which is not required to file an Iowa corporate income  
119 28 tax return. The refund may be used against a tax liability  
119 29 imposed under chapter 422, division II, III, or V. If the  
119 30 business is a partnership, S corporation, limited liability  
119 31 company, cooperative organized under chapter 501 or 501A and  
119 32 filing as a partnership for federal tax purposes, or estate or  
119 33 trust electing to have the income taxed directly to the  
119 34 individual, an individual may claim the tax credit allowed.  
119 35 The amount claimed by the individual shall be based upon the  
120 1 pro rata share of the individual's earnings of the  
120 2 partnership, S corporation, limited liability company,  
120 3 cooperative organized under chapter 501 or 501A and filing as  
120 4 a partnership for federal tax purposes, or estate or trust.

120 5 Sec. 104. Section 15.385, subsection 3, paragraph a, Code  
120 6 2005, is amended to read as follows:

120 7 a. An eligible business may claim a tax credit equal to a  
120 8 percentage of the new investment directly related to new jobs  
120 9 created by the location or expansion of an eligible business  
120 10 under the program. The tax credit shall be allowed against  
120 11 taxes imposed under chapter 422, division II, III, or V. If  
120 12 the business is a partnership, S corporation, limited  
120 13 liability company, cooperative organized under chapter 501 and  
120 14 filing as a partnership for federal tax purposes, or estate or  
120 15 trust electing to have the income taxed directly to the  
120 16 individual, an individual may claim the tax credit allowed.  
120 17 The amount claimed by the individual shall be based upon the  
120 18 pro rata share of the individual's earnings of the  
120 19 partnership, S corporation, limited liability company,  
120 20 cooperative organized under chapter 501 or 501A, and filing as  
120 21 a partnership for federal tax purposes, or estate or trust.  
120 22 The percentage shall be equal to the amount provided in  
120 23 paragraph "d". Any tax credit in excess of the tax liability  
120 24 for the tax year may be credited to the tax liability for the  
120 25 following seven years or until depleted, whichever occurs  
120 26 first.

120 27 Subject to prior approval by the department of economic  
120 28 development, in consultation with the department of revenue,  
120 29 an eligible business whose project primarily involves the  
120 30 production of value-added agricultural products or uses  
120 31 biotechnology-related processes may elect to receive a refund  
120 32 of all or a portion of an unused tax credit. For purposes of  
120 33 this subsection, such an eligible business includes a  
120 34 cooperative described in section 521 of the Internal Revenue  
120 35 Code which is not required to file an Iowa corporate income  
121 1 tax return, and whose project primarily involves the  
121 2 production of ethanol. The refund may be applied against a  
121 3 tax liability imposed under chapter 422, division II, III, or  
121 4 V. If the business is a partnership, S corporation, limited  
121 5 liability company, cooperative organized under chapter 501 or  
121 6 501A, and filing as a partnership for federal tax purposes, or

121 7 estate or trust electing to have the income taxed directly to  
121 8 the individual, an individual may claim the tax credit  
121 9 allowed. The amount claimed by the individual shall be based  
121 10 upon the pro rata share of the individual's earnings of the  
121 11 partnership, S corporation, limited liability company,  
121 12 cooperative organized under chapter 501 and filing as a  
121 13 partnership for federal tax purposes, or estate or trust.

121 14 Sec. 105. Section 15E.202, subsection 17, paragraph b,  
121 15 Code 2005, is amended to read as follows:

121 16 b. A cooperative organized under chapter 501 or 501A.

121 17 Sec. 106. Section 203.1, subsection 10, paragraph i, Code  
121 18 2005, is amended to read as follows:

121 19 i. A cooperative organized under chapter 501 or 501A, if  
121 20 the cooperative only purchases grain from its members who are  
121 21 producers or from a licensed grain dealer, and the cooperative  
121 22 does not resell that grain.

121 23 Sec. 107. Section 490A.102, subsection 4, Code 2005, is  
121 24 amended to read as follows:

121 25 4. "Constituent entity" means each limited liability  
121 26 company, limited partnership, ~~or~~ corporation, or domestic  
121 27 cooperative which is party to a plan of merger pursuant to  
121 28 subchapter XII.

121 29 Sec. 108. Section 490A.102, Code 2005, is amended by  
121 30 adding the following new subsection:

121 31 NEW SUBSECTION. 7A. "Domestic cooperative" means a  
121 32 cooperative organized under chapter 497, 498, 499, 501, or  
121 33 501A.

121 34 Sec. 109. NEW SECTION. 490A.131 BIENNIAL REPORT FOR  
121 35 SECRETARY OF STATE.

122 1 1. A limited liability company or a foreign limited  
122 2 liability company authorized to transact business in this  
122 3 state shall deliver to the secretary of state for filing a  
122 4 biennial report that states all of the following:

122 5 a. The name of the limited liability company or foreign  
122 6 limited liability company.

122 7 b. The street and mailing address of its designated office  
122 8 and the name and street and mailing address of its agent for  
122 9 service of process in this state.

122 10 c. The street and mailing address of its principal office.

122 11 d. In the case of a foreign limited liability company, the  
122 12 state or other jurisdiction under whose law the foreign  
122 13 limited liability company is formed.

122 14 2. Information in a biennial report must be current as of  
122 15 the date the biennial report is delivered to the secretary of  
122 16 state for filing.

122 17 3. If a biennial report does not contain the information  
122 18 required in subsection 1, the secretary of state shall  
122 19 promptly notify the reporting limited liability company or  
122 20 foreign limited liability company and return the report to it  
122 21 for correction. If the report is corrected to contain the  
122 22 information required in subsection 1 and delivered to the  
122 23 secretary of state within thirty days after the effective date  
122 24 of the notice, it is timely delivered.

122 25 4. If a filed biennial report contains an address of a  
122 26 designated office or the name or address of an agent for  
122 27 service of process which differs from the information shown in  
122 28 the records of the secretary of state immediately before the  
122 29 filing, the differing information in the biennial report is  
122 30 considered a statement of change under section 490A.502.

122 31 5. The first biennial report shall be delivered to the  
122 32 secretary of state between January 1 and April 1 of the first  
122 33 odd-numbered year following the calendar year in which a  
122 34 limited liability company was formed or a foreign limited  
122 35 liability company was authorized to transact business.

123 1 Subsequent biennial reports must be delivered to the secretary  
123 2 of state between January 1 and April 1 of the following odd=  
123 3 numbered calendar years. A filing fee for the biennial report  
123 4 shall be determined by the secretary of state. For purposes  
123 5 of this section, each biennial report shall contain  
123 6 information related to the two-year period immediately  
123 7 preceding the calendar year in which the report is filed.

123 8 Sec. 110. Section 490A.1201, Code 2005, is amended by  
123 9 striking the section and inserting in lieu thereof the  
123 10 following:

123 11 490A.1201 CONSTITUENT ENTITY.

123 12 As used in this section, unless the context otherwise  
123 13 requires, "constituent entity", as used in sections 490A.1202,  
123 14 490A.1204, 490A.1205, and 490A.1207, includes a domestic  
123 15 cooperative. However, as used in section 490A.1203,  
123 16 "constituent entity" does not include a domestic cooperative.

123 17 Sec. 111. NEW SECTION. 490A.1201A MERGER.

123 18 With or without a business purpose, a limited liability  
123 19 company may merge with any of the following:

- 123 20 1. Another domestic limited liability company pursuant to  
123 21 a plan of merger approved in the manner provided in sections  
123 22 490A.1202 through 490A.1205.
- 123 23 2. A domestic corporation under a plan of merger approved  
123 24 in the manner provided in sections 490A.1202 through  
123 25 490A.1205, and in chapter 490.
- 123 26 3. A domestic limited partnership pursuant to a plan of  
123 27 merger approved in the manner provided in sections 490A.1202  
123 28 through 490A.1207, and in chapter 487.
- 123 29 4. One or more cooperatives organized under chapter 497,  
123 30 498, 499, 501, or 501A, in the manner provided by and subject  
123 31 to the limitations in section 490A.1207.
- 123 32 5. A foreign corporation, foreign limited liability  
123 33 company, or foreign limited partnership pursuant to a plan of  
123 34 merger approved in the manner provided in section 490A.1206.

123 35 Sec. 112. Section 490A.1202, Code 2005, is amended by  
124 1 adding the following new subsection:

124 2 NEW SUBSECTION. 0A. As used in this section, "interests"  
124 3 includes but is not limited to membership interests in a  
124 4 domestic cooperative.

124 5 Sec. 113. NEW SECTION. 490A.1207 MERGER OF DOMESTIC  
124 6 COOPERATIVE INTO A DOMESTIC LIMITED LIABILITY COMPANY.

- 124 7 1. A limited liability company may merge with a domestic  
124 8 cooperative only as provided by this section. A limited  
124 9 liability company may merge with one or more domestic  
124 10 cooperatives if all of the following apply:
- 124 11 a. Only one limited liability company and one or more  
124 12 domestic cooperatives are parties to the merger.
- 124 13 b. When the merger becomes effective, the separate  
124 14 existence of each domestic cooperative ceases and the limited  
124 15 liability company is the surviving entity per organization.
- 124 16 c. As to each domestic cooperative, the plan of merger is  
124 17 initiated and adopted, and the merger is effectuated, as  
124 18 provided in section 501A.1101.
- 124 19 d. As to the limited liability company, the plan of merger  
124 20 complies with section 490A.1202, the plan of merger is  
124 21 approved as provided in section 490A.1203, and the articles of  
124 22 merger are prepared, signed, and filed as provided in section  
124 23 490A.1204.
- 124 24 e. Notwithstanding section 490A.1202, 490A.1205, or  
124 25 490A.1206, the surviving organization must be the limited  
124 26 liability company.
- 124 27 2. Section 501A.1103 governs the abandonment by a domestic  
124 28 cooperative of a merger authorized by this section. Section  
124 29 490A.1203, subsection 2, governs the abandonment by a limited  
124 30 liability company of a merger authorized by this section,  
124 31 except that for the purposes of a merger authorized by this  
124 32 section, the requirements stated in section 490A.1203,  
124 33 subsection 2, paragraphs "b" and "c", do not apply and instead  
124 34 the abandonment must have been approved by the domestic  
124 35 cooperative.

125 1 Sec. 114. Section 499.4, unnumbered paragraph 1, Code  
125 2 2005, is amended to read as follows:

125 3 ~~No A person or firm, and no including a corporation~~  
125 4 hereafter organized, which is not an association as defined in  
125 5 this chapter or a cooperative as defined in chapter 501 or  
125 6 501A, shall not use the word "cooperative" or any abbreviation  
125 7 thereof in its name or advertising or in any connection with  
125 8 its business, except foreign associations admitted under  
125 9 section 499.54. The attorney general or any association or  
125 10 any member thereof may sue and enjoin such use.

125 11 Sec. 115. Section 502.102, subsection 20, Code 2005, is  
125 12 amended to read as follows:

125 13 20. "Person" means an individual; corporation; business  
125 14 trust; estate; trust; partnership; limited liability company;  
125 15 association; cooperative; joint venture; government;  
125 16 governmental subdivision, agency, or instrumentality; public  
125 17 corporation; or any other legal or commercial entity.

125 18 Sec. 116. Section 556.1, subsection 3, Code 2005, is  
125 19 amended to read as follows:

125 20 3. "Cooperative association" means ~~an~~ any of the  
125 21 following:

- 125 22 a. An entity which is structured and operated on a  
125 23 cooperative basis, including an association of persons  
125 24 organized under chapter 497, 498, or 499; or an entity  
125 25 composed of entities organized under those chapters ~~or a~~.
- 125 26 b. A cooperative organized under chapter 501 ~~or~~.
- 125 27 c. A cooperative organized under chapter 501A.
- 125 28 d. ~~a~~ A cooperative association organized under chapter

125 29 490 ~~or any~~.  
125 30 e. Any other entity recognized pursuant to 26 U.S.C. }  
125 31 1381(a) which meets the definitional requirements of an  
125 32 association as provided in 12 U.S.C. } 1141(j)(a) or 7 U.S.C.  
125 33 } 291.  
125 34 Sec. 117. Section 556.5, subsection 4, paragraph b, Code  
125 35 2005, is amended to read as follows:  
126 1 b. A disbursement held by a cooperative association shall  
126 2 not be deemed abandoned under this chapter if the disbursement  
126 3 is retained by a cooperative association organized under  
126 4 chapter 490 as provided in section 490.629, ~~or~~ by a  
126 5 cooperative association organized under chapter 499 as  
126 6 provided in section 499.30A, or by a cooperative as provided  
126 7 in section 501A.1008.

126 8 Sec. 118. Section 501A.102, as enacted in this Act, is  
126 9 amended by striking from the section the word and figure "or  
126 10 487".

126 11 Sec. 119. EFFECTIVE DATES. This Act takes effect July 1,  
126 12 2005, except that section 118 of this Act takes effect January  
126 13 1, 2006.

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126 18 CHRISTOPHER C. RANTS  
126 19 Speaker of the House

126 20  
126 21  
126 22 JOHN P. KIBBIE  
126 23 President of the Senate  
126 24

126 25 I hereby certify that this bill originated in the House and  
126 26 is known as House File 859, Eighty-first General Assembly.

126 27  
126 28  
126 29  
126 30 MARGARET THOMSON  
126 31 Chief Clerk of the House

126 32 Approved \_\_\_\_\_, 2005

126 33  
126 34  
126 35  
127 1 THOMAS J. VILSACK  
127 2 Governor